



## **PUBLIC DISCLOSURE**

August 28, 2017

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank in Marlow  
Charter Number 20838

301 West Main Street  
Marlow, OK 73055

Office of the Comptroller of the Currency

The Harvey Parkway Building  
301 NW 63rd Street, Suite 490  
Oklahoma City, OK 73116-7908

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**Table of Contents**

**OVERALL CRA RATING ..... 3**  
**DEFINITIONS AND COMMON ABBREVIATIONS ..... 4**  
**DESCRIPTION OF INSTITUTION ..... 8**  
**SCOPE OF THE EVALUATION..... 11**  
**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW ..... 11**  
**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS..... 12**  
**LENDING TEST ..... 12**

## Overall CRA Rating

### The Lending Test is rated: Satisfactory

The bank's lending performance is satisfactory given its size, financial condition, and the credit needs of its assessment area (AA).

The major factors that support this rating include:

- A substantial majority of loans are originated inside the bank's AA.
- The loan-to-deposit ratio is reasonable and compares favorably to similarly situated banks.
- The borrower distribution of loans represents reasonable penetration among businesses and borrowers of different income levels and meets the standard for satisfactory performance.
- The geographic distribution of loans represents reasonable dispersion throughout the AA and meets the standard for satisfactory performance.
- No complaints were received about the bank's performance in helping to meet the credit needs of its AA.

The First National Bank in Marlow, OK (FNB) is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Performance evaluation.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

FNB is a community bank located in Marlow, Oklahoma and is wholly owned by Leader First Bancorp, Incorporated, a one-bank holding company. FNB's main office and a drive-thru is located at 301 West Main Street, Marlow, OK. A limited service branch and drive-thru is located at 1110 South Broadway in Marlow. Another full-service branch and drive-thru is located at 228 West Oak Main in Comanche, OK. No branches have been opened or closed since the last performance evaluation. Lobby hours are from 9AM to 4:30PM Monday through Friday for both of the Marlow locations, while the Comanche location is open from 10AM to 4PM Monday through Friday. Drive-thru hours for all locations are 7:25 AM to 6:05 PM Monday through Friday to meet customer needs outside of set lobby hours.

The bank has 10 ATMs, with four being deposit-taking ATMs. This is the same number as in the last evaluation. However, FNB has closed their ATM located in Lawton and has opened a new ATM in Rush Springs. See the table below for a listing of all ATMs:

<b>Automated Teller Machine Locations</b>		
<b>Shop N Bag Duncan</b>	#2 S. Hwy 81, Duncan	Existing
<b>Central High Community Bldg</b>	2207 S 7 Mile Road, Marlow	Existing
<b>FNB South Branch Drive Thru</b>	1102 S Hwy 81, Marlow	Existing
<b>FNB Comanche Branch</b>	228 Oak Main Ave, Comanche	Existing
<b>Shop N Bag Marlow</b>	811 S Broadway, Marlow	Existing
<b>City of Rush Springs</b>	315 Blakley, Rush Springs	New
<b>Hop &amp; Sack Marlow</b>	202 N Broadway, Marlow	Existing
<b>Chisholm Corner #7</b>	1102 N Broadway, Marlow	Existing
<b>Edgewood Kwik Mart</b>	RT 1 Box 222, Comanche	Existing
<b>Meridian Kwik Mart</b>	RT 2 Box 368, Comanche	Existing

*Source: Bank Information.*

FNB's primary focus is to serve consumer, commercial, and agricultural customers in Marlow and the surrounding areas. FNB is a full-service institution providing traditional loan and deposit products to meet the needs of the community. The bank also offers online bill pay. FNB's lending strategy has not significantly changed since the last performance evaluation. Management has not introduced any new products or attempted to enter any new markets. The only changes noted were the reinstatement of the first time home buyer program and emphasizing marketing to commercial customers.

As of June 30, 2017, the bank's total assets were \$62.6 million, with loans comprising of \$36.4 million or 58 percent. See the following table for a summary of the bank's loan portfolio composition:

<b>Loan Portfolio Composition as of June 30, 2017</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial & Related Real Estate	\$11,821	32.32%
Residential Real Estate	\$10,171	27.81%
Agricultural Loans	\$7,922	21.67%
Consumer Lending	\$4,726	12.92%
Other	\$1,931	5.28%
<b>Total</b>	<b>\$36,571</b>	<b>100%</b>

*Source: June 30, 2017 Report of Condition and Income.*

There are no known legal or financial impediments that prevent the bank from meeting the credit needs of its AA. FNB received a CRA rating of “Satisfactory” at the last CRA performance evaluation dated February 27, 2012.

## **Description of the AA**

The AA selected for FNB consists of whole geographies and does not reflect illegal discrimination or arbitrarily exclude low- or moderate-income geographies. The area is consistent with the requirements of the CRA regulation.

The AA includes all of Stephens County located in south central Oklahoma. Stephens County consists of 11 census tracts, all located in a non-MSA. The main bank, the limited service branch, and the Comanche branch are located in middle-income census tracts.

Stephens County consists of five upper-income tracts, four middle-income tracts and two moderate-income tracts. There are no low-income tracts in the AA. No tracts in the county have been excluded from the AA. The table below summarizes key demographic and economic characteristics of the AA, based on the 2010 US Census data:

<b>Demographic and Economic Characteristics of AA</b>	
<b>Population</b>	
Number of Families	12,289
Number of Households	17,781
<b>Geographies</b>	
Number of Census Tracts	11
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	18.18%
% Middle-Income Census Tracts	36.36%
% Upper-Income Census Tracts	45.45%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$54,156
2017 FFIEC-Adjusted MFI	\$51,600
<b>Economic Indicators</b>	
2010 Median Housing Value	\$80,190
% of Households Below Poverty Level	14.14%

*Source: 2010 US Census data and FFIEC updated income data.*

The economy of Stephens County is characterized as fair and improving. Economic conditions in the area are heavily driven by oil and gas activity in the county and the surrounding areas. Due to the decline in oil and gas prices that occurred in 2014, the economy of the area was significantly down in 2015 and 2016. Prices have increased somewhat in 2017, which has led to some improvement in the local economy. Major employers in the county include Wilco Machinery, Halliburton, local hospitals, and the Marlow school system. No major employers have entered or left the area in the last few years. Unemployment had been as high as 11 percent following the decline in oil and gas prices; however, it was noted that this figure has declined to approximately 7 percent in 2017.

The bank’s primary competition in the Marlow area includes two branches of significantly larger financial institutions. Competition also stems from larger banks located in Duncan, Oklahoma and other neighboring communities.

As part of this performance evaluation, a community contact was made with a member of the local government of Marlow, Oklahoma. This contact indicated that the credit needs of the community were being adequately met. The primary need for the area at this time was stated to be for starter homes. While there is currently sufficient rental housing for temporary workers affiliated with the oil and gas industry, permanent housing available for purchase is less abundant. This need largely arose due to a new elementary school being constructed in Marlow in the last two to three years, which has attracted more families from surrounding areas. The contact was not aware of any additional needs in

the community. The contact indicated that FNB and the other two financial institutions in Marlow are actively involved in the local community.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

FNB was evaluated under Small Bank examination procedures, which compares the bank's lending activity during the evaluation period to 2010 US Census demographic information and certain information updated to 2017. The bank's AA includes all 11 census tracts within Stephens County. The bank's primary loan products were identified as business loans and residential real estate loans. These lending products were sampled from 2015, 2016, and through August 23, 2017.

### **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

**The Lending Test is rated: Satisfactory**

The bank's lending performance is satisfactory given its size, financial condition, and the credit needs of its AA.

This CRA Performance Evaluation assesses FNB's performance primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate FNB's lending performance, a random sample of 53 loans was reviewed. Primary loan products sampled consisted of 27 residential real estate loans and 26 commercial business loans originated during 2015, 2016, and through August 23, 2017. Based on the results of this analysis, FNB is meeting the credit needs of the AA in a satisfactory manner.

#### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The average quarterly LTD ratio since the last performance evaluation, dated February 27, 2012, through March 31, 2017 is 71 percent. The quarterly averages for three similarly situated banks were used in our assessment for comparison. FNB's ratio is the highest of the four banks and reflects a reasonable volume of lending. See the table below for additional details.

Institution	Assets as of 3/31/17 \$(000)	Average LTD Ratio
<b>The First National Bank in Marlow</b>	<b>\$61,914</b>	<b>71%</b>
The State Bank of Wynnewood	\$81,501	63%
The First National Bank of Lindsay	\$51,163	43%
The First Farmers National Bank of Waurika	\$45,077	46%

*Source: Call Report data from March 31, 2012 to March 31, 2017.*

#### Lending in AA

FNB's lending in their AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar volume of loans sampled originated in the bank's AA. This conclusion is based on the sample of 27 residential real estate loans and 26 business loans that were originated in 2015, 2016, and 2017, as depicted in the following table:

Lending in Stephens County, Oklahoma										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	24	89%	3	11%	27	1,528	81%	368	19%	1,896
Business	21	81%	5	19%	26	4,670	83%	964	17%	5,634
Totals	45	85%	8	15%	53	6,197	82%	1,332	18%	7,531

Source: Residential Real Estate Loans & Business Loans Samples.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The overall borrower distribution of loans reflects a reasonable penetration and meets the standard for satisfactory performance for lending to individuals of different income levels and businesses of different sizes. The following tables represent the distribution of lending based on the sample 24 residential real estate loans and 21 business loans extended within FNB's AA:

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	16.06%	8.33%	15.95%	29.17%	20.41%	25.00%	47.59%	37.50%

Source: 2010 US Census data; Residential Loan Sample.

FNB's distribution of residential real estate loans to borrowers of different income levels is reasonable. The percentage of real estate loans to low-income borrowers is less than the percentage of low-income families in the AA; however, this is reasonable given that low-income borrowers have a more difficult time qualifying for a home loan. The percentage of loans to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families in the AA.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.03%	6.38%	12.59%	100%
% of Bank Loans in AA by #	71.43%	28.57%	0.00	100%
% of Bank Loans in AA by \$	26.80%	73.20%	0.00	100%

Source: Dun and Bradstreet data; Business Loan Sample

FNB's distribution of loans to businesses meets the standard for satisfactory performance. A reasonable number of business loans were originated to small businesses with annual gross revenues of \$1 million or less. The dollar amount of loans made to small businesses is significantly lower than the number of loans made to small businesses due to the three largest loans in the sample being to large businesses. These three loans were each greater than \$700 thousand, while the average loan amount for all business loans in the AA was approximately \$222 thousand.

**Geographic Distribution of Loans**

The overall distribution of loans to geographies of different income levels meets the standard for satisfactory performance and reflects reasonable dispersion of loans. There are no low-income census tracts in the AA, and only two of the 11 census tracts are designated as moderate-income. The following tables represent the distribution of lending based on the sample of 24 residential real estate loans and 21 business loans extended within the AA:

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate	0.00	0.00	15.99%	8.33%	29.02%	75.00%	54.98%	16.67%

Source: 2010 US Census data; Residential Loan Sample.

The geographic distribution of residential real estate loans is lower than the percentage of owner occupied housing in the moderate-income tracts but is considered reasonable. The lower dispersion of loans in the moderate-income tracts is attributed to the location of those census tracts. The two moderate-income tracts are located in the City of Duncan, a larger community, which has several other, more conveniently located, financial institutions to service lending needs.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0.00	0.00	16.37%	14.29%	34.03%	66.67%	49.60%	19.05%

Source: Dun and Bradstreet data; Business Loan Sample.

The geographic distribution of business loans is reasonable. The distribution of business loans located in moderate-income tracts is less than the percentage of businesses located in those tracts, but is considered near the ratio.

### **Responses to Complaints**

There have been no consumer complaints pertaining to FNB's CRA performance during this evaluation period.