



PUBLIC DISCLOSURE

June 07, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Coweta
Charter Number 6879

106 South Broadway
Coweta, OK 74429

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The First National Bank of Coweta (FNB) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of June 7, 2016. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

FNB has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The loan-to-deposit (LTD) ratio is *reasonable* based on the bank's performance context and lending opportunities inside the assessment area (AA), and the bank meets the standard for satisfactory performance.
- A *majority* of the number and dollar level of the bank's residential real estate and business loans originated during the review period is inside the bank's AA, and the bank meets the standard for satisfactory performance.
- Lending patterns for residential real estate and business loans reflect a *reasonable penetration* of loan originations among borrowers of different incomes and businesses with different revenue levels, and the bank meets the standard for satisfactory performance.
- Lending patterns for residential real estate loans and business loans during the review period indicate a *reasonable dispersion* of loans throughout the Wagoner County AA, and the bank meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

We evaluated FNB using the Small Bank standards for assessing performance, which includes a lending test to evaluate the bank's record of meeting the credit needs of the bank's AA. The primary loan products include residential real estate loans and business loans. The lending test evaluates the bank's record of meeting the credit needs of its AA, and we assessed the bank's performance under this test using a loan sample of all Home Mortgage Disclosure Act (HMDA) loans for 2014, 2015, and through April 30, 2016, and 29 business loans originated during the same period.

The sample is representative of the bank's general business strategy since the previous CRA Performance Evaluation. The 2016 CRA Performance Evaluation (PE) of FNB is based on a comparison of the bank's lending activity during the evaluation period to 2010 United States (U.S.) census demographic information, and certain information updated to 2015.

DESCRIPTION OF INSTITUTION

FNB is a \$73 million community bank headquartered in Coweta, Oklahoma, and a subsidiary of First Coweta Corporation, a single-bank holding company. The bank is affiliated through common ownership with The First National Bank and Trust Company of Broken Arrow in Broken Arrow, Oklahoma. This affiliate was not considered in this evaluation. A CRA PE was last prepared as of November 15, 2010, and a "Satisfactory" rating was assigned. There are no legal, financial, or other factors impeding FNB's ability to meet the credit needs of the AA.

During the review period, FNB met deposit and credit needs of the AA through the main bank and a full-service branch in Broken Arrow, Oklahoma. Both facilities include drive-thru service. FNB operates one Automated Teller Machine at the branch facility. To help meet the banking needs of the AA, FNB offers a variety of loan and deposit services during reasonable business hours, Monday through Saturday. FNB also offers banking services by telephone and the Internet. The bank's current business strategy includes providing a variety of loan and deposit services inside the AA, consistent with safe and sound operations, and there are no immediate plans to materially change this strategy. No branches have been opened or closed since the previous CRA evaluation.

The following table describes the composition of the bank's loan portfolio as of March 31, 2016, which represents 38 percent of total assets. FNB's primary focus has historically been residential real estate loans. However, since the economic downturn in 2008, loan demand and availability of quality credits in residential real estate have been low. Over the past three years, the bank has focused on commercial and residential construction loans in order to compensate for the lack of quality retail loan demand. Bank management does not anticipate any significant changes in the composition of the portfolio in the near future.

Loan Category	\$(000's)	%
CRE Loans	3,276	12
Commercial Loans	5,136	18
Residential Real Estate Loans	9,482	34
Construction Loans	4,034	14
Farm Production Loans	442	2
Farm Real Estate Loans (includes homestead on farm)	3,143	11
Consumer Loans	2,386	9
Total	27,899	100

Source: March 31, 2016 Consolidated Reports of Condition and Income (Call Report)

DESCRIPTION OF ASSESSMENT AREA

FNB’s delineated AA is Wagoner County, Oklahoma, which includes 17 contiguous census tracts (CT) within the Tulsa, Oklahoma Metropolitan Statistical Area (MSA), comprising two moderate-income CT, seven middle-income CT, and six upper-income CT. There are no low-income CT in the AA. The main bank is located in a moderate-income CT, and the branch facility is located in a middle-income CT. The AA is bounded by the Wagoner County line on the south, west, and north sides, and by the Verdigris River on the east. The AA covers the area within the Tulsa MSA that FNB can reasonably serve, and meets the requirements of the regulation.

The following table provides key demographic and economic characteristics of the AA based on 2010 U.S. Census data:

Demographic and Economic Characteristics of Partial Tulsa MSA AA		
Population		
Number of Families		15,317
Number of Households		19,015
Geographies		
Number of Census Tracts		17
% of Low-Income Census Tracts		0.00%
% of Moderate-Income Census Tracts		11.76%
% of Middle-Income Census Tracts		41.18%
% of Upper-Income Census Tracts		47.06%
Median Family Income (MFI)		
2010 MFI for AA		\$67,042
2013 HUD-Adjusted MFI		\$59,700
2014 HUD-Adjusted MFI		\$59,200
2015 HUD-Adjusted MFI		\$59,200
Economic Indicators		
Unemployment Rate		2.98%
2010 Median Housing Value		\$137,794
% of Households Below Poverty Level		7.94%
<i>Source: 2010 Census data</i>		

According to the 2010 U.S. Census data, the AA has a population of 55,974 persons. Of the 15,317 families, 14 percent are low-income families and 16 percent are moderate-income families. The AA consists of 20,622 housing units, and 16,519, or 80 percent, are owner-occupied. Households below the poverty line total 8 percent, and households receiving social security income total 27 percent.

Economic conditions in Northeast Oklahoma are generally stable. While the area has seen declines in jobs related to the oil and gas industry, other sectors continue to grow. Within the AA, the construction and small business sectors continue to provide stable employment. Although the economy has stabilized since the 2008 economic downturn, loan demand has not returned to pre-2008 levels. The bank has strong competition from branches of two larger banks in Coweta, and from several state banks within Wagoner County. Due to the bank’s close proximity to Tulsa, the bank also competes with many larger banks in the Tulsa area.

Community Contact

During the evaluation process we contacted a local community leader inside the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact stated that local banks were sufficiently involved in the community and meeting banking and development needs. The contact also stated there are additional opportunities for sponsoring financial education events.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance under the Lending Test is rated “**Satisfactory.**”

Loan-to-Deposit Ratio

FNB’s quarterly LTD ratio is reasonable. Since the previous CRA PE, the bank’s quarterly average LTD ratio averaged 43 percent, compared to a 49 percent aggregate average by five other competing banks inside the AA. Competition for loans within the AA is strong, and loan demand remains low. As a service to its customers, the bank also refers some mortgage loans to outside third parties. This allows customers to obtain more favorable terms including longer term fixed rates and lower interest rates than FNB can provide for a similar product. From January 2014 to April 2016, FNB referred 16 customers to outside mortgage companies resulting in approximately \$2.2 million in loans originated.

Loan-to-Deposit Ratios		
Institution	Total Assets as of 03/31/2016 (000's)	Average LTD Ratio
The American Bank (Wagoner, OK)	\$30,404	26.49%
First National Bank of Coweta	\$73,373	42.75%
Lakeside State Bank (Oologah, OK)	\$67,264	45.20%
American Bank & Trust Co. (Tulsa, OK)	\$197,922	50.41%
First National Bank & Trust Co. of Broken Arrow	\$189,949	59.35%
Fort Gibson State Bank (Fort Gibson, OK)	\$65,525	64.35%

Source: Institution Reports of Condition from September 30, 2010 to March 31, 2016

Lending in Assessment Area

Lending patterns during the review period indicate a *majority* of the number of FNB's residential real estate and business loans are inside the AA. The following table presents a more specific identification of loan types inside and outside of the AA.

Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	12	63.16	7	36.84	19	\$825	57.09	\$620	42.91	\$1,445
Improvement	7	87.50	1	12.50	8	\$137	83.54	\$27	16.46	\$164
Refinance	9	81.82	2	18.18	11	\$411	86.89	\$62	13.11	\$473
HMDA Loan Totals	28	73.68	10	26.32	38	\$1,373	65.95	\$709	34.05	\$2,082
Business Loans	20	68.97	9	31.03	29	\$1,283	38.88	\$2,016	61.12	\$3,299
Total Loans	48	71.64	19	28.36	67	\$2,656	49.36	\$2,725	50.64	\$5,381

Source: HMDA data for 2014, 2015, and YTD April 30, 2016 and Business loan sample (Jan. 2014 - April 2016)

Lending to Borrowers of Different Incomes and to Businesses with Different Revenues

Lending patterns during the review period indicate a *reasonable penetration* of loan originations among borrowers of different income levels, and businesses with different revenue levels, particularly those with gross annual revenues less than \$1 million. Bank management attributes the relatively low percentage of residential purchase loans to several factors. First, the general inability of borrowers in a low-income income category to meet the bank's credit standards, consistent with safe and sound lending. Additionally, since 2014 the bank received only one application for a residential purchase loan. Last, as a service to its customers, the bank also refers some mortgage loans, including low-income applicants, to outside third parties. This allows customers to obtain more favorable terms, including longer term fixed rates and lower interest rates, than FNB can provide for a similar product. During the review period, income information on HMDA was not reported on one applicant for a residential purchase loan, therefore, it is not represented in the table below. The following tables present a more specific identification of loan penetration patterns among retail and commercial borrowers inside the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Purchase	13.95	0.00	16.16	33.33	22.80	8.33	47.09	50.00
Improvement	13.95	14.29	16.16	28.57	22.80	28.57	47.09	28.57
Refinance	13.95	22.23	16.16	44.44	22.80	33.33	47.09	0.00

Source: Data reported under HMDA for 2014, 2015, and YTD April 30, 2016; 2010 U.S. Census data.

Table 2A - Borrower Distribution of Loans to Businesses inside the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	88.47	2.32	9.21	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	51.57	48.43	0.00	100%

Source: Business loan sample (Jan.2014 – April 2016); Dunn and Bradstreet data

Geographic Distribution of Loans

Aggregate lending patterns during the review period indicate *reasonable dispersion* of loans throughout the AA, particularly residential real estate loans in the moderate-income and middle-income CT. There are no low-income CT within the AA. However, the geographic distribution of loans to businesses in the AA indicates poor dispersion in the moderate-income CT. There are only two moderate-income CT inside the AA, and one of these is predominately composed of residential real estate and undeveloped land. Additionally, there is significant competition for business lending within the remaining moderate-income CT, further limiting opportunities for business lending. The following tables present a more specific identification of loan dispersion patterns among retail and commercial borrowers inside the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans inside the 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
Purchase	0.00	0.00	19.76	66.67	32.90	25.00	47.34	8.33
Improvement	0.00	0.00	19.76	57.14	32.90	28.57	47.34	14.29
Refinance	0.00	0.00	19.76	33.33	32.90	55.56	47.34	11.11

Source: Data reported under HMDA for 2014, 2015, and YTD April 30, 2016 ; U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses inside the 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
	0.00	0.00	16.82	5.00	36.06	65.00	47.12	30.00

Source: Business loan sample (Jan. 2014 – April 2016); D & B data.

Responses to Complaints

There have been no consumer complaints regarding FNB's performance under the CRA during the evaluation period. The bank's CRA Public File contains all of the required information.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.