



PUBLIC DISCLOSURE

FEBRUARY 12, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FIRSTBANK
RSSD# 296456**

**100 NORTH HIGH STREET
ANTLERS, OKLAHOMA 74523**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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

Institution's Community Reinvestment Act Rating.....	2
Scope of Examination	2
Description of Institution.....	3
Description of the Bank's Assessment Area	5
Conclusions with Respect to Performance Criteria	9

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING:

<i>This institution is rated:</i>	Satisfactory
<i>The Lending Test is rated:</i>	Satisfactory
<i>The Community Development Test is rated:</i>	Satisfactory

Major factors supporting the institution's rating include:

Lending Test

- FirstBank's (the bank's) average net loan-to-deposit (NLTD) ratio reflects a more than reasonable effort to extend credit, given the bank's size, business activities, financial condition, and credit needs of its delineated assessment area (AA).
- A majority of the bank's loans were originated within the bank's delineated AA.
- The geographic distribution of consumer motor vehicle-secured, residential real estate and small business loans reflects an excellent dispersion of lending throughout the bank's AA.
- The distribution of loans reflects a reasonable penetration to individuals of different income levels and to businesses of different revenue sizes within the bank's AA.

Community Development Test:

- The bank's level of qualified community development (CD) loans, investments, donations, and services demonstrates an adequate responsiveness to the needs of its AA considering the bank's capacity and the availability of CD opportunities throughout the bank's AA.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions*. The procedures prescribe an overall rating under two equally weighted tests based on the bank's performance: the lending test and the CD test. The evaluation was based on a full-scope review of the bank's performance in its Southeastern Oklahoma AA.

Under the lending test, the bank's NLTD ratio, the level of lending inside its AA, the distribution of loans by geographic income level, and lending to borrowers of different income levels and businesses of different revenue sizes were considered. The bank's responsiveness to CRA complaints, the fifth core lending criterion, was not evaluated as the bank has not received any CRA-related complaints since the prior evaluation.

Conclusions regarding the lending test criteria were based on a review of the bank's major product lines, including commercial, residential real estate, and consumer loans. These were determined through discussions with bank management, a review of the bank's June 30, 2017 Reports of Condition and Income, and a review of all outstanding loan originations since the prior CRA examination conducted on December 9, 2013. Therefore, the evaluation was based on a statistically derived sample of 139 motor vehicle loans selected from a universe of 443 loans; a sample of 82 small business loans selected from a universe of 137 loans; and a sample of 63 residential real estate loans selected from a universe of 91 loans; all originated between July 1, 2016 and December 31, 2016. All products were weighted equally, given the bank's overall strategic focus among these three loan products.

For evaluative purposes, the bank's level of small business lending was compared to 2016 Dun & Bradstreet (D&B) demographic data, while the bank's motor vehicle and residential real estate lending was compared to the U.S. Census 2006-2010 American Community Survey (ACS) five-year estimate data.

The geographic distribution analysis was based on the bank's penetration of lending within different geographic income categories, particularly low- and moderate-income (LMI) census tracts. These geographies were classified using the FFIEC's 2016 census tract definitions.

The borrower distribution analysis was based on the bank's penetration of lending to borrowers of different income levels and to small businesses with gross annual revenues of \$1 million (MM) or less. For the evaluation of borrower distribution by borrower income levels, the corresponding loan years' FFIEC's Median Family Income Report was utilized. The evaluation of the bank's performance focused on the number of loans originated for each product evaluated, as well as the dollar volume of those originations.

The CD test included a review of all CD loans, investments, donations, and services since becoming an intermediate small bank on January 1, 2018 and through this evaluation dated February 12, 2018. However, the bank was encouraged to provide CD activities since the previous evaluation on December 10, 2013, for analysis and consideration. The review also evaluated all qualifying investments currently held in the bank's portfolio. The bank's CD activities were compared to the level of CD opportunities in the AA as well as the competition for such activities among local financial institutions.

To further augment the evaluation, two prior interviews by the Federal Depository Insurance Corporation (FDIC) were utilized to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. One individual represented a local housing agency, while the other individual represented a local economic development organization.

DESCRIPTION OF INSTITUTION

The bank, headquartered in Antlers, Oklahoma, is a \$319.1MM institution and is wholly owned

by parent company First Antlers Bancorporation, Inc., also headquartered in Antlers, Oklahoma. The bank has 67.0 percent ownership in one subsidiary, SEO Aircraft Holding LLC. The bank also has one affiliate relationship with First Insurance, a consumer and commercial line insurance agency and health and life insurance company.

The bank operates a full-service branch and a limited-service drive-through branch in Antlers, Oklahoma. Additionally, the bank operates four full-service branch locations in the neighboring towns of Atoka (Atoka County), Coalgate (Coal County), Hugo (Choctaw County), and Kiowa (Pittsburg County). All locations offer drive-up facilities and deposit-accepting, automated teller machines (ATMs). An additional ATM is located in Rattan, a small community approximately 15 miles east of Antlers, Oklahoma.

The June 30, 2017 FDIC Deposit Market Share Report indicates that the bank, with \$272.4 MM in deposits and a market share of 8.3 percent, ranks 3rd out of 19 FDIC-insured institutions with 55 offices operating in its AA of Atoka, Bryan, Choctaw, Coal, McCurtain, Pittsburg, and Pushmataha Counties. In Atoka, Coal, and Pushmataha Counties; the bank maintains a larger market share of 32.5 percent, 30.0 percent, and 62.4 percent, respectively. Conversely, in Choctaw, McCurtain, and Pittsburg Counties, the bank's market share is smaller, at 12.6 percent, 10.1 percent, and 2.7 percent, respectively.

The bank is primarily a residential real estate, commercial, and agricultural lender as illustrated in Table 1; however, it offers a variety of products to meet area credit needs.

TABLE 1 FIRSTBANK LOAN PORTFOLIO AS OF JUNE 30, 2017		
Loan Type	Amount \$(000)	Percent of Total
Residential Real Estate	99,198	38.2
Commercial	72,251	27.8
Agricultural	49,629	19.1
Consumer	37,761	14.6
Other	765	0.3
Gross Loans	259,604	100.0

The CRA analysis did not identify any legal or financial impediments to the bank's ability to meet the credit needs of its AA. The bank's CRA performance was previously evaluated under the FFIEC's *Interagency Examination Procedures for Small Institutions* on December 9, 2013, conducted by the Federal Reserve Bank of Kansas City, at which time it received a Satisfactory rating.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Census Tract Characteristics

The bank has delineated one AA in Oklahoma, its Southeastern Oklahoma AA, which is rural in nature and includes a seven-county region, including Atoka, Bryan, Choctaw, Coal, McCurtain, Pittsburg, and Pushmataha Counties. The AA in its entirety is comprised of 2 low-, 10 moderate-, 30 middle-, 3 upper-, and 1 unknown-income tract. The bank's AA was revised in January 2017, adding two adjacent counties, Bryan and McCurtain, and contains several tracts that have been designated as distressed and/or underserved.

Population Trends

According to the 2016 U.S. Census population estimates, the bank's AA reflects 167,971 residents in which the majority (72.9 percent) resides in three counties: Bryan County (27.1 percent), Pittsburg County (26.3 percent), and McCurtain County (19.5 percent). Population growth over the past decade has been stagnant with the greatest population growth occurring in Bryan County, at 7.4 percent, from April 2010 to July 2016. Comparatively, the population in the remaining counties has contracted 18.4 percent in the same period.

According to 2010 Census data, the majority of the population in the AA falls between the ages of 25 and 64 years, at 50.6 percent, which is consistent with rural statewide areas, at 50.1 percent, and the state of Oklahoma, at 51.6 percent. According to the 2010 Census data, the majority of the population in the AA falls between the ages of 25 and 64 years, at 50.6 percent, which is consistent with rural statewide areas, at 50.1 percent, and the state of Oklahoma, at 51.6 percent. However, the AA has a higher percent of individuals over the age of 65 years old at 16.8 percent as compared to the rural statewide average of 15.8 percent, and the state of Oklahoma, at 13.5 percent.

Economic Conditions

The AA's economy continues to experience volatility in oil and gas sectors, while major businesses include public schools and colleges, hospitals and medical clinics, government, the Choctaw Nation headquarters and Walmart. A community member stated that although the economy continues to recover from the recent drop in energy prices, the community is beginning to see an improvement with the arrival of several new businesses. The area's local chamber of commerce has attracted new businesses such as: Cardinal Glass, Huber, Dollar Tree and Big Lots. A community member also stated new industrial businesses entering into the area have increased in Durant. Additionally, the Choctaw Nation has invested heavily in the area, opening a new restaurant, a high-end convenience store, and a tractor store. According to the 2012 Census of Agriculture, Oklahoma is one of 31 states that have experienced declines in land area for farms, contracting 2.1 percent from 2007 to 2012; however, the AA's economic conditions reflect the agricultural sector is growing across all counties, which may spur increased demand for personal and motor vehicle loan requests.

Labor and Employment Characteristics

The AA is benefitted by major employers who provide numerous employment opportunities within the communities. According to bank management, new area jobs include railroad construction projects, railroad maintenance, and service sector jobs. Bank management indicated many of the bank's customers are employed in logging, and oil and gas exploration; as a result, decreased activity in both industries affected the bank's customer base during 2015 and 2016. Management stated the logging industry has recovered, while oil and gas activity is picking up; however, some people are choosing more stable working conditions in other industries. As reflected in Exhibit 1, unemployment rates for the AA reflect unemployment is higher in many of the counties found within the AA when compared to the State of Oklahoma.

EXHIBIT 1 ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)			
Area	2014	2015	2016
Atoka County	6.2	6.5	6.7
Bryan County	4.8	4.5	4.4
Choctaw County	8.3	7.6	7.8
Coal County	6.8	7.6	7.5
McCurtain County	8.1	7.9	7.2
Pittsburg County	6.2	5.7	6.3
Pushmataha County	4.7	4.5	4.7
State of Oklahoma	4.5	4.4	4.9
United States	6.2	5.3	4.9

In Atoka County, two new industrial parks contain several major employers such as Choctaw Manufacturing, Wood Designs Manufacturing, Eaves Brothers Stone Manufacturing, Estes Trucking Company, and Jones & Jackson Construction. Bryan County employment includes the Choctaw Nation of Oklahoma, which is headquartered in Durant, along with Southeastern Oklahoma State University. Choctaw County specializes in mining, quarrying, oil, gas extraction with major employers including several hospitals and medical centers, schools, Walmart, and Wyrick Lumber. Coal County's major employers center in manufacturing and government organizations, and similar to Coal County, McCurtain County's industries include manufacturing with major businesses including JM Huber Engineered Woods, Beavers Bend Resort Park (Broken Bow Lake), and Tyson Foods, Inc. Pittsburg and Pushmataha Counties are the regional center for commerce and retail trade with primary industries of healthcare, retail, government and education.

Income Characteristics

According to the 2010 Census data, the AA's MFI was \$43,378, which was lower than the figure for rural statewide areas, at \$47,749, and the state of Oklahoma, at \$53,607. The percentage of families below the poverty level in the AA at 16.3 percent exceeded the figures for the state and rural statewide areas at 11.9 percent and 13.6 percent, respectively.

Additionally, the AA's Median Housing Income (MHI) was \$34,459, which was lower than the figure for rural statewide areas, at \$37,951, and the state of Oklahoma, at \$42,979. The percentage of households below the poverty level in the AA at 20.9 percent exceeded the figures for the state and statewide rural areas at 15.4 percent and 18.2 percent, respectively.

The higher poverty rates may indicate potential challenges for financial institutions to lend to

lower income families in the AA without special credit programs, such as down payment assistance or first time home buyer programs.

Housing Characteristics

The 2010 Census data revealed that the median housing value in the AA was \$76,783. The values for the total rural statewide areas and state were at \$81,740 and \$104,300, respectively. The housing affordability ratio¹ in the AA, at 44.9 percent was slightly lower than the rural statewide areas, at 46.0 percent, but higher than the state's ratio, at 41.2 percent. This indicates that housing in the AA is generally more affordable than the overall rural statewide areas but less affordable when compared to the state of Oklahoma.

The percentage of owner-occupied housing units in the AA is comparable to all rural statewide areas and the state at 58.0 percent, 58.2 percent, and 59.0 percent, respectively. Moreover, vacant housing in the AA and rural statewide areas, at 16.8 percent and 18.0 percent, respectively, were higher compared to state figures, at 13.5 percent. Multifamily units in the AA represented relatively low figures, at 3.6 percent compared to 4.8 percent in rural statewide areas and the state of Oklahoma, at 10.5 percent. The percentage of rental units in the AA at 25.2 percent was also higher than the rural statewide percentage of 23.8 percent but below the state figure of 27.5 percent.

Median gross rent in the AA, at \$538, was comparable with the median rent costs for rural statewide areas, at \$552, but below the average for the state of Oklahoma, at \$633. The percentage of renters with rent costs greater than 30.0 percent of income was 36.6 percent in the AA, which was consistent with rural statewide areas, at 36.4 percent, but well below the state of Oklahoma, at 40.9 percent.

Interviews with Members of the Community

One individual in the community commented there have been several new 1- to 4-family developments with revitalization of older homes in Durant, Oklahoma, as well as several multifamily housing projects in LMI areas north of Durant. Bank management also stated the Choctaw Nation is considered a major competitor, as they invest in affordable housing in the communities within the AA, providing less opportunity for financial institutions in the area to provide affordable housing lending or investments opportunities. Another individual in the community commented there have been several new businesses arriving in the Durant area; reflective of an economic recovery and industrial business boom, and supported by residential projects, increased development, and more business opportunities.

¹ The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

Table 2 includes a breakdown of demographic and D&B data relative to the AA.

TABLE 2 SOUTHEASTERN OKLAHOMA AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	2	4.3	1,414	3.2	582	41.2	11,076	25.3
Moderate	10	21.7	8,995	20.6	2,050	22.8	7,851	18.0
Middle	30	65.2	29,976	68.6	4,198	14.0	8,603	19.7
Upper	3	6.5	3,321	7.6	287	8.6	16,188	37.0
Unknown	1	2.2	12	0.0	12	100.0	0	0.0
Total AA	46	100.0	43,718	100.0	7,129	16.3	43,718	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	2,743	1,217	2.6	44.4	1,214	44.3	312	11.4
Moderate	18,896	9,155	19.8	48.4	5,820	30.8	3,921	20.8
Middle	52,667	32,159	69.4	61.1	12,049	22.9	8,459	16.1
Upper	5,497	3,766	8.1	68.5	1,045	19.0	686	12.5
Unknown	12	12	0.0	1.0	0	0.0	0	0.0
Total AA	79,815	46,309	100.0	58.0	20,128	25.2	13,378	16.8
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	152	2.9	126	2.7	23	5.1	3	2.0
Moderate	1,753	33.5	1,585	34.2	125	27.5	43	28.5
Middle	2,919	55.7	2,569	55.5	256	56.3	94	62.3
Upper	407	7.8	346	7.5	51	11.2	10	6.6
Unknown	7	0.1	6	0.1	0	0.0	1	0.7
Total AA	5,238	100.0	4,632	100.0	455	100.0	151	100.0
Percentage of Total Businesses:			88.4		8.7		2.9	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	7	2.0	7	2.0	0	0.0	0	0.0
Moderate	80	23.1	80	23.3	0	0.0	0	0.0
Middle	228	65.7	225	65.4	3	100.0	0	0.0
Upper	31	8.9	31	9.0	0	0.0	0	0.0
Unknown	1	0.3	1	0.3	0	0.0	0	0.0
Total AA	347	100.0	344	100.0	3	100.0	0	0.0
Percentage of Total Farms:			99.1		0.9		0.0	
Based on 2010 ACS five-year estimate, 2016 FFIEC census tract designations, and 2016 D&B data. (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)								

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall CRA performance was evaluated in light of its financial capacity, market demographic factors, and competitive environment. The overall rating and conclusions are based on its performance in the AA. As previously mentioned, the bank's AA was expanded in mid-January 2017 to incorporate Bryan and McCurtain Counties. These counties include one low-income tract each while no other low-income tracts exist within the remaining five counties in the AA. Since the review period only included loans originated in 2016, the evaluation will show that no loans were made by the bank in low-income census tracts. Additionally, the majority of middle-income tracts within the AA were designated distressed or underserved; therefore, more weight was placed on the bank's lending dispersion in these areas.

LENDING TEST

The bank's overall record of meeting its AA's credit needs through its lending activities is considered satisfactory. The bank's NLTD ratio reflects a more than reasonable effort to extend credit, while a majority of the bank's loans are originated within the bank's AA. The geographic distribution of lending based on the income level of census tracts was considered excellent while the distribution of lending to borrowers of different income levels and businesses of different revenues sizes was considered reasonable.

Net Loan-to-Deposit Ratio:

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of performance context regarding the bank's capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AA.

The bank's average NLTD ratio was considered more than reasonable based on the institution's size, financial condition, local economic conditions, credit needs of its AA, and the NLTD ratios of similarly situated banks. The bank's NLTD ratio averaged 97.5 percent for the 15 quarters since its previous evaluation, which compared favorably to five similarly situated institutions with NLTD ratios ranging between 39.7 percent and 86.0 percent.

Assessment Area Concentration:

This performance criterion evaluates the bank's overall distribution of lending inside and outside of its AA. The evaluation analyzes both the number and dollar volume of originations. As illustrated in Table 3, overall the bank originated a majority of loans by both number and dollar volume within its delineated AA. While the bank originated a majority of its residential real estate and small business loans by both number and dollar within the AA, a substantial majority of its motor vehicle-secured loans, by number and dollar, were originated within its delineated AA.

**TABLE 3
LENDING INSIDE AND OUTSIDE THE BANK'S AA**

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Motor Vehicle Loans	126	1,391	90.6	92.6	13	111	9.4	7.4
Residential Loans	55	4,468	87.3	87.0	8	670	12.7	13.0
Small Business Loans	71	3,535	86.6	78.2	11	983	13.4	21.8
Total Loans	252	9,394	88.7	84.2	32	1,764	11.3	15.8

Only those loans originated inside the AA were considered for the remaining analyses.

Distribution by Income Level of Geographies:

This performance criterion evaluates the bank's distribution of loans among geographies of different income levels. For evaluative purposes, the bank's motor vehicle lending was compared to the percentage of households in each census tract income category, while the bank's residential real estate lending was compared to the percentage of owner-occupied units and the bank's small business lending was compared to the percentage of businesses located in each census tract income category.

The bank's overall geographic distribution of lending performance is considered excellent. Table 4 illustrates the breakdown of motor vehicle, residential real estate, and small business loans by census tract income levels.

As mentioned previously, the bank's AA did not include any low-income census tracts until January 2017; whereas the loans sampled for this review were from 2016. Therefore, the analyses below do not address performance in the AA's low-income tracts.

TABLE 4
DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHIES
SOUTHEASTERN OKLAHOMA AA

Census Tract Income Level	Motor Vehicle Loans				% of Households ¹
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	3.7
Moderate	69	820	54.8	59.0	22.5
Middle	56	567	44.4	40.8	66.6
Upper	1	4	0.8	0.3	7.2
Unknown ³	0	0	0.0	0.0	0.0
Census Tract Income Level	Residential Loans				% of Owner Occupied Units ¹
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	2.6
Moderate	25	2,102	45.5	47.1	19.8
Middle	28	1,970	50.9	44.1	69.4
Upper	2	395	3.6	8.8	8.1
Unknown ³	0	0	0.0	0.0	0.0
Census Tract Income Level	Small Business Loans				% of Businesses ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	2.9
Moderate	39	1,709	54.9	48.3	33.5
Middle	31	1,736	43.7	49.1	55.7
Upper	1	90	1.4	2.5	7.8
Unknown ³	0	0	0.0	0.0	0.1

¹ Based on 2010 ACS five-year estimate data and 2016 FFIEC census tract designations.

² Based on 2016 D&B data.

³ Does not include tracts where the income level is unknown. Only includes tract locations not known.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Loans

The bank's geographic distribution of motor vehicle loans among geographies of different income levels is excellent. The bank originated 54.8 percent by number and 59.0 percent by dollar of motor vehicle loans in moderate-income tracts, which significantly exceeded the 22.5 percent of households in moderate-income tracts within the AA. The bank's lending within the middle-income census tracts was reasonable at 44.4 percent by number and 40.8 percent by dollar compared to 66.6 percent of area middle-income households. Although the bank originated loans below the demographic figure in these geographies, the bank faces a lot of competition in the area, which may impact performance. Lending in upper-income tracts, at 0.8 percent by number and 0.3 percent by dollar, was below the percentage of households residing in upper income tracts, at 7.2 percent.

Residential Real Estate Loans

The bank's geographic distribution of residential real estate loans is excellent. The bank originated 45.5 percent by number and 47.1 percent by dollar of residential real estate loans in moderate-income census tracts, which exceeded the 19.8 percent of owner-occupied units in moderate-income areas. The bank's lending in middle-income census tracts was below the

demographic figure of 69.4 percent by both number and dollar at 50.9 percent and 44.1 percent, respectively. Lending in upper-income tracts, at 3.6 percent by number and 8.8 percent by dollar, was below the percentage of owner occupied units in these geographies, at 8.1 percent.

Small Business Loans

The bank's geographic distribution of small business loans among geographies of different income levels is excellent. The bank originated 54.9 percent by number and 48.3 percent by dollar of small business loans in moderate-income census tracts compared to 33.5 percent of businesses in moderate-income tracts. Although lending in middle-income areas was below the percent of businesses, demand may be influenced by area competition. The AA is also widely rural, which may limit overall business development in the area. Lending in upper-income tracts, at 1.4 percent by number and 2.5 percent by dollar, was below the percentage of businesses in upper-income tracts, at 7.8 percent.

Distribution by Borrower Income and Revenue Size of the Businesses:

This performance criterion evaluates the bank's distribution of lending to borrowers of different income levels with emphasis placed on lending to LMI borrowers, as well as the bank's distribution of lending to businesses of different revenue sizes with emphasis on lending to those with gross annual revenues of \$1MM or less. For evaluative purposes, the bank's motor vehicle lending was compared to the percentage of households by income level while the bank's residential real estate lending was compared to the percent of families in the AA by income level. The bank's small business lending was compared to the percent of businesses within the AA by revenue size. Overall, the borrower distribution of lending was considered reasonable.

TABLE 5
DISTRIBUTION BY INCOME LEVEL OF BORROWER AND
REVENUE SIZE OF BUSINESSES
SOUTHEASTERN OKLAHOMA AA

Borrower Income Level	Motor Vehicle Loans				% of Households ¹
	#	\$(000)	#%	\$%	
Low	17	103	13.5	7.4	29.1
Moderate	29	232	23.0	16.7	15.7
Middle	38	429	30.2	30.8	17.9
Upper	42	627	33.3	45.1	37.3
Borrower Income Level	Residential Loans				% of Families ¹
	#	\$(000)	#%	\$%	
Low	5	184	9.1	4.1	25.3
Moderate	11	662	20.0	14.8	18.0
Middle	13	817	23.6	18.3	19.7
Upper	26	2,805	47.3	62.8	37.0
Business Revenue	Small Business Loans				% of Businesses by Revenue ²
	#	\$(000)	#%	\$%	
\$1MM or Less	70	3,448	98.6	97.6	88.4
Over \$1MM	0	0	0.0	0.0	8.7
Income Not Known	1	86	1.4	2.4	2.9

¹ Based on 2010 ACS five-year estimate data.

² Based on 2016 D&B data.

(Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Loans

The bank's distribution of motor vehicle lending to borrowers of different income levels is reasonable. As illustrated in Table 5, the bank originated 13.5 percent by number and 7.4 percent by dollar to low-income borrowers, which was below the 29.1 percent of low-income households. Although the bank's lending in this area falls short compared to the percent of low-income level households, there is significant competition, a higher percent of households below the poverty rate, and a relatively high level of unemployment in the AA.

The bank's lending to moderate-income borrowers, at 23.0 percent by number and 16.7 percent by dollar, exceeded the 15.7 percent of moderate-income households in the area. Lending to middle-income borrowers exceeded the demographic figure by both number (30.2 percent) and dollar (30.8 percent). Lending to upper-income borrowers at 33.3 percent by number and 45.1 percent by amount was slightly less than the percentage of upper-income households at 37.3 percent.

Residential Real Estate Loans

The bank's distribution of residential real estate lending to borrowers of different income levels is reasonable. As reflected in Table 5, the bank originated 9.1 percent by number and 4.1 percent by dollar to low-income borrowers, which was well below the percent of families in the AA, at 25.3 percent. As noted, the percentage of families living below the poverty level in

the AA is higher than the statewide average, which can make it more difficult for borrowers to qualify based on stricter debt-to-income requirements. The bank's lending to moderate-income borrowers, at 20.0 percent by number and 14.8 percent by dollar, was more comparable to the demographic figure at 18.0 percent for moderate-income families in the AA. The bank's lending to middle-income borrowers, at 23.6 percent by number and 18.3 percent by dollar, slightly exceeded the percent of middle-income families (19.7 percent) while lending to upper-income borrowers, at 47.3 percent by number and 62.8 percent by dollar, significantly exceeded the percent of upper-income families (37.0 percent).

Small Business Loans

The bank's distribution of small business loans to business of different revenue sizes is excellent. As illustrated in Table 5, the bank originated 98.6 percent by number and 97.6 percent by dollar to small businesses, or those with gross annual revenues of \$1MM or less. The bank's performance was well above the demographic figure of small businesses in the AA, at 88.4 percent. The bank did not originate any loans to businesses with gross annual revenues over \$1MM when compared to 8.7 percent of businesses in the area in this revenue category.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is satisfactory. As illustrated in Table 6, the bank's CD performance demonstrates adequate responsiveness to the CD needs of its AA. The bank's level of CD activity was compared to the availability of similar opportunities in the area. To qualify for CRA credit, the activity must serve one or more of the following purposes: provide affordable housing for LMI individuals; support community services targeted to LMI individuals or LMI geographies; promote economic development by financing small businesses or small farms; or revitalize or stabilize LMI areas, designated disaster areas, or distressed or underserved nonmetropolitan middle-income tracts. The bank had five qualifying CD loans in the amount of \$1,714,922 for the benefit of revitalization or stabilization. The bank also had two donations totaling \$15,000 for community services and one donation totaling \$100,000 for revitalization or stabilization purposes. CD services included four activities supporting organizations providing community services primarily for lower-income families. Although the bank was not able to provide any qualified investments, management stated that voters in the AA did not pass municipal or school bonds when presented during the most recent election. However, the bank made several municipal lease loans to serve the community, since investing in municipal or school bonds is not a viable option in these communities at this time.

The following examples are representative of the bank's support of area CD needs:

- The bank originated a loan totaling \$640,928 to a hospital within the AA providing revitalization or stabilization in the community with the purpose of providing operational funding.

- The bank originated a loan totaling \$14,000 to a county within the AA providing revitalization or stabilization in the community with the purpose of purchasing a road grader.
- The bank made a \$100,000 donation providing revitalization or stabilization in the community to a public school in which the majority of students received free or reduced school lunches.
- An officer of the bank served as treasurer on the board of an organization that operates in a moderate-income tract and provides relevant community services.

**TABLE 6
COMMUNITY DEVELOPMENT ACTIVITIES
SOUTHEASTERN OKLAHOMA AA**

Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	0	0	0	0	0	0	0	0	0
Community Services	0	0	0	0	2	15	2	15	4
Economic Development	0	0	0	0	0	0	0	0	0
Revitalization and Stabilization	5	1,715	0	0	1	100	1	100	0
Totals	5	1,715	0	0	3	115	3	115	4

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discrimination was identified. Furthermore, the bank has not engaged in any other illegal credit practices inconsistent with helping to meet community credit needs.