



PUBLIC DISCLOSURE

November 15, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Texoma National Bank
Charter Number 14005

220 West Main Street
Durant, OK 74701

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.

**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:
First Texoma National Bank (FTNB) is rated Satisfactory**

State Name: Oklahoma Rating: Satisfactory

State Name: Texas Rating: Satisfactory

The bank's overall rating blends the individual state ratings.

The significant factors supporting this rating include the following:

- FTNB's quarterly average net loan-to-deposit (LTD) ratio is **reasonable**, and meets the standard for satisfactory performance.
- FTNB originated a **majority** of loans sampled inside the assessment area (AA), and meets the standard for satisfactory performance.
- The distribution of loans reflects **reasonable penetration** of loan originations among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a **reasonable dispersion** of loan originations throughout the AA.
- FTNB has not received any consumer complaints regarding their CRA performance.

SCOPE OF EXAMINATION

We evaluated FTNB using the Small Bank Standards for assessing performance. This Performance Evaluation (PE) is based largely on 2010 United States (U.S.) Census data and 2015 business demographic information. The bank's AA's, Bryan County and Choctaw County in Oklahoma, and Grayson County in Texas, received full-scope reviews. The bank's overall rating is a blend of the state ratings. Primary loan products include commercial loans and residential real estate loans. The lending test evaluates the bank's record of meeting the credit needs of its AA, and we assessed FTNB's performance under this test using a loan sample comprising 40 business loans, and all (165) residential real estate loans originated from January 2, 2015 through June 30, 2016. FTNB is required to report under the Home Mortgage Disclosure Act (HMDA), and the bank's risk management system to ensure HMDA accuracy is satisfactory.

DESCRIPTION OF INSTITUTION

FTNB is a \$167 million interstate community bank headquartered in Durant, Oklahoma. The bank is wholly owned by FNB Financial Services, Inc., a one-bank holding company. Since the last CRA examination, the Aubrey, Texas branch (opened in 2006) was closed January 31, 2013. This resulted in the reduction of AA's from 3 to 2, and removing the Denton County, Texas AA.

The main bank is located at 220 West Main, Durant, Oklahoma. Full-service branches and drive-thru facilities are located at 420 West Main and 1825 West University, Durant, Oklahoma, 615 Hunter Avenue, Boswell, Oklahoma, 2626 Loy Lake Road and 3425 Heritage Parkway, Sherman, Texas. FTNB offers a diverse line of loan and deposit services during reasonable hours, Monday through Friday, with some services provided on Saturday. Automated Teller Machines (ATMs) are located at all five branch locations, with three additional ATMs located throughout Durant at Alliance Health, Alorica Employee Store, and the Choctaw Travel Plaza West (convenience store). FTNB also offers banking services by telephone and Internet Banking.

The primary business focus is to serve commercial and consumer customers in Bryan and Choctaw Counties in Oklahoma and Grayson County in Texas. FTNB does not sell loans into the secondary market, nor do they originate loans guaranteed by the Federal Housing Administration or United States Department of Veterans Affairs. As of June 30, 2016, FTNB has total assets of \$167 million, of which \$131 million, or 78 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural. Specifically, the bank’s loan portfolio consists of the following:

FTNB Bank-wide Primary Lending Product Analysis (as of 6/30/2016)		
Loan Category	\$ (000)	%
Business Loans	\$61,808	47.22%
1-4 Family Residential RE Loans	\$47,393	36.21%
Consumer Loans	\$12,155	9.28%
Agricultural Loans	\$8,145	6.22%
Other Loans	\$1,403	1.07%
Total	\$130,904	100%

There are no known financial or legal impediments that would prevent FTNB from meeting the credit needs of the AA. FTNB is involved in and provides support to meet the community’s financial needs. A CRA PE was last prepared April 15, 2011, and a “Satisfactory” rating was assigned.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance under the lending test is Satisfactory. The LTD ratio is reasonable, and a majority of the bank’s loans were originated inside the AA. The loan-to-deposit ratio and the in/out ratio are based on aggregate loan sample data from both AA. Borrower distribution reflects reasonable penetration among borrowers of different incomes and businesses of different sizes, and the geographic distribution reflects reasonable dispersion throughout the AA.

Loan-to-Deposit Ratio

The LTD ratio is reasonable and meets the standard for satisfactory performance. FTNB's average quarterly LTD ratio from June 30, 2011 through June 30, 2016 is 77 percent. The average quarterly LTD of comparable other banks 74 percent. The ratios range from a low of 60 percent to a high of 88 percent. The ratios of four similarly situated banks were analyzed over the same time period and are listed in the table below.

LTD Ratios – Oklahoma and Texas AA's		
Institution	Total Assets as of 06/30/2016 (000's)	Average LTD Ratio
First Texoma National Bank, Durant, OK	\$166,962	77.23%
Security First National Bank, of Hugo, OK	\$103,179	87.88%
Cendera Bank, Bells, Texas	\$76,885	72.67%
The First National Bank of Tom Bean, Texas	\$77,965	59.85%

Source: Reports of Condition from June 30, 2011 to June 30, 2016

Lending in Assessment Area

FTNB's lending in their assessment areas meets the standard for satisfactory performance. A majority of the residential real estate loans and the sampled business loans were originated in the bank's assessment areas. This conclusion is based on the 165 HMDA residential real estate loans and the sample of 40 business loans that originated from January 2, 2015 through June 30, 2016, as depicted in the following table.

TOTAL LOANS REVIEWED – Oklahoma and Texas AA's										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential Purchase	127	77%	38	23%	165	\$12,993	68%	\$5,992	32%	\$18,985
Commercial Loans	29	73%	11	27%	40	\$2,123	72%	\$810	28%	\$2,933
Totals	156	76%	49	24%	205	\$15,116	69%	\$6,802	31%	\$21,918

Source: Data reported under HMDA; Commercial loan sample

Responses to Complaints

There have been no consumer complaints regarding FTNB's performance under the Community Reinvestment Act (CRA) since the previous evaluation dated April 15, 2011. The 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.

State Rating

State of Oklahoma

CRA Rating for Oklahoma: Satisfactory

Description of the Oklahoma AA

The Oklahoma AA is identified as all of Bryan County and Choctaw County in southeastern Oklahoma, and includes 16 complete and contiguous census tracts. In Bryan County, 1 tract is categorized as low-income, 1 is categorized as moderate-income, 8 are categorized as middle-income, and 1 is categorized as upper-income. In Choctaw County, there are no low-income or upper income tracts, 2 are categorized as moderate-income, and 3 are categorized as middle-income. All of the Choctaw County middle-income tracts are considered distressed or underserved areas. The main bank and two Durant branches are located in middle-income tracts in Bryan County. The Boswell branch is located in a middle-income tract in Choctaw County. The AA does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income (LMI) geographies. The following table describes major demographic and economic characteristics of the Oklahoma AA, based on 2010 U.S. Census data.

Demographic and Economic Characteristics of Bryan/Choctaw Counties AA	
Population	
Number of Families	14,527
Number of Households	22,205
Geographies	
Number of Census Tracts	16
% of Low-Income Census Tracts	6.25%
% of Moderate-Income Census Tracts	18.75%
% of Middle-Income Census Tracts	68.75%
% of Upper-Income Census Tracts	6.25%
Median Family Income (MFI)	
2010 MFI for AA	\$47,864
2016 HUD-Adjusted MFI	\$52,700
Economic Indicators	
Unemployment Rate: Choctaw County	7.60%
Unemployment Rate: Bryan County	4.20%
2010 Median Housing Value	\$81,406
% of Households Below Poverty Level	20.08%

Source: 2010 U.S. Census data

The aggregate population of the Bryan County and Choctaw County AA is 59,981. Although there is just one low-income census tract (Bryan County) in the Oklahoma AA, there are low- and moderate-income families throughout the AA. Of the 14,527 families, and 22,205 households, 20 percent are below the poverty level.

Local economic conditions are stable. The economy has diverse revenue sources, including tourism, Choctaw gaming facilities, manufacturing and distribution. Major employers in the area are the Choctaw Nation of Oklahoma, the medical center, and Southeastern Oklahoma State University. Inside the Oklahoma AA there is significant competition for loans and deposits from other financial institutions headquartered in Durant, Oklahoma, and branches of state and national banks and financial institutions.

Community Contact

We contacted a local community leader in the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact stated to their knowledge local financial institutions, including FTNB, are meeting the needs of the community. Low-income housing and reasonable rental property are persistent needs in the community.

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

Lending patterns during the review period, combined with FTNB’s performance context, indicate a **reasonable penetration** of loan originations among borrowers of different income levels and businesses of different sizes. The following tables present a more specific identification of the residential real estate loans and business loans originated inside the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Bryan/Choctaw Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74.39	4.14	21.47	100%
% of Bank Loans in AA by #	66.67	33.33	0	100%
% of Bank Loans in AA by \$	61.81	38.19	0	100%

Source: Commercial loan sample; Dunn and Bradstreet data

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size Bryan/Choctaw non-MSA AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	9	60.00%	228,624	16.60%
\$100,001 - \$250,000	4	26.67%	598,603	43.45%
\$250,001 - \$500,000	2	13.33%	550,320	39.95%
\$500,001 - \$1,000,000	0	0%	0	0%
Over \$1,000,000	15	100%	1,377,547	100%

Source: Commercial loan sample; 2010 U.S. Census data

Table 2 - Borrower Distribution of Residential Real Estate Loans in Bryan/Choctaw Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans						
Purchase	24.40	4.44	19.73	17.78	19.60	20.00	36.27	38.89
Total	24.40	4.44	19.73	17.78	19.60	20.00	36.27	38.89

Source: data reported under HMDA; 2010 U.S. Census data, income unavailable for 19%

The distribution of residential real estate loans to low-income borrowers inside the Oklahoma AA is poor, as the percentage of real estate loans extended to LMI applicants is not representative of the AA demographics. However, in addition to the bank and AA descriptions noted earlier, key factors for this performance include the following:

- Significant competition inside the AA for market share of residential real estate loans. In particular, FTNB has only a limited branch presence in Choctaw County, which has a large rural land area of nearly 800 square miles.
- The general inability of borrowers in a low-income income category to meet the bank’s credit standards, consistent with safe and sound lending. In particular, the Choctaw Nation Housing Authority offers home lending programs that cover the needs of the Choctaw Nation tribal members at more competitive rates and with less stringent underwriting requirements.

Geographic Distribution of Loans

Lending patterns during the review period, combined with FTNB’s performance context information, indicate a **reasonable dispersion** of loan originations throughout geographies inside the Oklahoma AA. Since three of the middle-income tracts were designated as distressed and underserved non-metropolitan middle-income tracts, the bank received consideration for lending to the middle-income tracts in this assessment area. The following tables present a more specific identification of the residential real estate loans and business loans originated inside the AA.

Table 3A – Geographic Distribution of Loans to Businesses in Bryan/Choctaw Counties								
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
Commercial	3.11	6.66%	21.84	0%	72.09	86.67%	2.96	6.67%
Total	3.11	6.66%	21.84	0%	72.09	86.67%	2.96	6.67%

Source: Commercial loan sample; Dunn & Bradstreet data

The dispersion of loans to businesses in moderate-income census tracts is poor, as the percentage of loans to businesses is not representative of the AA demographics. However, within the Oklahoma AA, there are 4 moderate-income tracts located in rural areas comprising forests, undeveloped land, agricultural land, and uninhabited land on hillsides, all providing diminished commercial needs and lending opportunities.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Bryan/Choctaw Counties								
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	2.23	6.67	12.09	15.56	81.31	73.33	4.37	4.44
Total	2.23	6.67	12.09	15.56	81.31	73.33	4.37	4.44

Source: data reported under HMDA; 2010 U.S. Census data

State Rating

State of Texas

CRA Rating for Texas: Satisfactory

Description of the Texas AA

The Texas AA consists of Grayson County in north central Texas, and includes 26 complete and contiguous census tracts in the Sherman-Denison, Texas Metropolitan Statistical Area. Eight tracts are categorized as moderate-income, 15 are categorized as middle-income, and 3 are categorized as upper-income. There are no low-income census tracts in the Texas AA. Both branches in Sherman are located in middle-income tracts. The AA does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

The following table describes major demographic and economic characteristics of the Texas AA based on 2010 U.S. Census data.

Demographic and Economic Characteristics of Grayson County AA	
Population	
Number of Families	31,768
Number of Households	45,545
Geographies	
Number of Census Tracts	26
% of Low-Income Census Tracts	0.00%
% of Moderate-Income Census Tracts	30.77%
% of Middle-Income Census Tracts	57.69%
% of Upper-Income Census Tracts	11.54%
Median Family Income (MFI)	
2010 MFI for AA	\$57,623
2016 HUD-Adjusted MFI	\$62,600
Economic Indicators	
Unemployment Rate	3.60%
2010 Median Housing Value	\$101,895
% of Households Below Poverty Level	13.26%
Housing Units - Total	53,727
Housing Units – Owner Occupied	67%

Source: 2010 Census data

The population of the AA, centered in Sherman, Texas, is 125,467. Although there are no low-income census tracts in the AA, LMI families do reside in the area. Of the 31,768 families, and 45,545 households, 13 percent are below the poverty level. The local economic conditions are stable, and the economy is dependent on health care, retail and manufacturing. Sherman, Texas is an economic center that is expanding. Significant employers in the area include various health care facilities, Tyson Foods, Sherman Public Schools, and Texas Instruments.

Inside the Texas AA there is significant competition for loans and deposits from other financial institutions headquartered in the area, and branches of state and national banks and financial institutions.

Community Contact

We contacted a local community leader in the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact stated that all local financial institutions are actively involved in the community, and that credit and development opportunities exist to expand companies, including working capital and small business loans. Additionally, the contact stated that low-income housing and reasonable rental property are persistent needs in the community.

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

Lending patterns during the review period, combined with FTNB’s performance context, indicate a **reasonable penetration** of loan originations among borrowers of different income levels and businesses of different sizes. The following tables present a more specific identification of the residential real estate loans and business loans originated inside the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Grayson County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.06	3.69	17.25	100%
% of Bank Loans in AA by #	85.71	14.29	0	100%
% of Bank Loans in AA by \$	88.47	11.53	0	100%

Source: Commercial loan sample; Dunn and Bradstreet data

Table 2 - Borrower Distribution of Residential Real Estate in Grayson County								
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	20.83	5.41	18.13	8.11	21.26	18.92	39.78	43.24
Total	20.83	5.41	18.13	8.11	21.26	18.92	39.78	43.24

Source: data reported under HMDA; 2010 U.S. Census data; income was not available for 24% of home purchase borrowers

The distribution of residential real estate loans to LMI borrowers inside the Texas AA is poor, as the percentage of real estate loans extended to LMI applicants is not representative of the AA demographics. However, in addition to the bank and AA descriptions noted earlier, key factors for this performance include the following:

- Significant competition inside the AA for market share of residential real estate loans.
- Generally limited supply of owner-occupied housing units, and significant level of rental properties.
- The general inability of borrowers in a low-income income category to meet the bank’s credit standards, consistent with safe and sound lending. In particular, significant real estate taxes increases the cost of home ownership in the area, and presents a further barrier for LMI applicants.
- As noted in an earlier comment, the Choctaw Nation Housing Authority and its close proximity to the Texas AA, offers home lending programs that cover the needs of the Choctaw Nation tribal members at more competitive rates and with less stringent underwriting requirements.

Geographic Distribution of Loans

Lending patterns during the review period, combined with FTNB’s performance context information, indicate a **reasonable dispersion** of loan originations throughout geographies inside the Texas AA. The following tables present a more specific identification of the residential real estate loans and business loans originated inside the AA.

Table 3A - Geographic Distribution of Loans to Businesses in Grayson County								
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
Commercial loans	0.00	0.00	25.13	38.70	59.21	36.42	15.66	24.88
Total	0.00	0.00	25.13	38.70	59.21	36.42	15.66	24.88

Source: Commercial loan sample; Dunn & Bradstreet data

Table 3 - Geographic Distribution of Residential Real Estate Loans in Grayson County								
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	23.02	29.73	57.35	45.95	19.63	24.32
Total	0.00	0.00	23.02	29.73	57.35	45.95	19.63	24.32

Source: data reported under HMDA; 2010 U.S. Census data