



PUBLIC DISCLOSURE

April 7, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Oklahoma
Charter Number 11397

10900 Hefner Pointe Drive
Oklahoma City, OK 73120

Office of the Comptroller of the Currency
Oklahoma City Field Office
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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors supporting the institution's rating include the following:

- A majority of the bank's loans were originated within the bank's assessment areas (AAs);
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- The bank's distribution of loans reflects reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance;
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs and meets the standard for satisfactory performance; and,
- There have been no consumer complaints regarding the bank's Community Reinvestment Act performance.

SCOPE OF EXAMINATION

To assess First National Bank of Oklahoma's (FNBO) performance under the Community Reinvestment Act (CRA) regulations, we analyzed the bank's activities in and around its declared AAs. The Bank's AAs are divided into two distinct areas for review. The Oklahoma City (OKC) MSA AA and the Kay County non-MSA AA each received a full scope review.

The full scope review of the OKC MSA AA included a review of commercial/business loans originated in 2012 and 2013 and 1-4 family residential real estate Home Mortgage Disclosure Act (HMDA) reportable loans originated during this period. The full scope review of the Kay County AA included a review of agricultural/farm loans originated in 2012 and 2013 and 1-4 family residential real estate HMDA reportable loans originated during this period. These are the major loan products in the respective AAs.

DESCRIPTION OF INSTITUTION

FNBO is headquartered in Oklahoma City, Oklahoma. The bank is 100 percent owned by First Bancorp of Oklahoma, Inc., a one-bank holding company, headquartered in Tonkawa, Oklahoma.

FNBO has four operating locations. The main office is located at 10900 Hefner Pointe Drive, Suite 300, Oklahoma City, OK. Full-service branches are located at 101 West Grand, Tonkawa, Oklahoma; 1501 East Prospect Avenue, Ponca City, Oklahoma; and

at 5625 North Western Avenue, Oklahoma City, Oklahoma. Automated Teller Machines (ATMs) are located adjacent to the Ponca City and Tonkawa branches, as well as at 3150 East Highway 60 in Ponca City and 1315 North Main in Tonkawa. The bank also offers Internet and telephone banking and bank by mail as alternative distribution methods. FNBO's primary focus in the Kay County AA (which includes the Ponca City and Tonkawa banking centers) is to provide various financial services to commercial, agricultural, and consumers. The primary focus in the OKC MSA AA is the provision of financial services to small commercial businesses. Consumer and home lending is offered at the Oklahoma City branch; however, it is primarily provided as an accommodation for commercial customers. Hours of operation are responsive to the general banking needs of the areas served.

As of December 31, 2013, FNBO's total assets equaled \$279 million, of which \$223 million, or 80 percent, were composed of various types of loans to individuals and commercial businesses. The bank's loan portfolio is segmented as follows:

Loan Category	\$ (000s)	%
Business Loans	\$145,235	65.16%
1-4 Family Residential RE Loans	\$43,163	19.36%
Agriculture Loans	\$25,004	11.22%
Consumer Loans	\$7,768	3.49%
Other	\$1,725	0.77%
Total	\$222,895	100%

There are no legal or financial impediments to FNBO's ability to meet the credit needs of their AAs. The bank's CRA performance was last evaluated as of July 27, 2009, with a "**Satisfactory**" rating assigned.

DESCRIPTION OF ASSESSMENT AREAS

The AAs adopted by FNBO consists of whole geographies; do not reflect illegal discrimination; and, do not arbitrarily exclude low- or moderate-income geographies. The AAs meet the requirements of the CRA regulation. In addition to the main bank and one branch in Oklahoma City, FNBO has two additional branches, one in Ponca City and one in Tonkawa, which has resulted in the bank having two AAs. The Ponca City and Tonkawa branches are both located in Kay County in northern Oklahoma. The census tracts in the trade area surrounding these two branches constitute the Kay County non-MSA AA. The Oklahoma City branches are both located in Oklahoma County within the OKC MSA AA.

The FNBO OKC MSA AA is described below.

Demographic and Economic Characteristics of OKC MSA AA	
Population	
Number of Families	88,343
Number of Households	149,054
Geographies	
Number of Census Tracts	129
% Low-Income Census Tracts	15.50%
% Moderate-Income Census Tracts	27.91%
% Middle-Income Census Tracts	26.36%
% Upper-Income Census Tracts	28.68%
NA	1.55%
Median Family Income (MFI)	
2010 Census MSA MFI	\$64,059
2013 FFIEC Updated MSA MFI	\$60,000
Economic Indicators	
% Unemployment Rate	4.05%
Median Housing Value	\$125,287
% of Households Below Poverty Level	14.85%

Source: 2010 US Census data and 2013 FFIEC updated income data.

FNBO has defined their OKC MSA AA as portions of central, north, and northwest Oklahoma City and western portions of Edmond, all located in Oklahoma County, consisting of 129 census tracts. Of these, twenty are low-income census tracts, thirty-six are moderate-income census tracts, thirty-four are middle-income census tracts, thirty-seven are upper-income census tracts, and two census tracts income data is unknown. Total population of the tracts totals 369,575. There are just over 170 thousand total housing units, of which 87,512 or 51 percent are owner occupied. Households below the poverty level total 22,138 or 15 percent and households that receive public assistance total 4,603 or 3 percent of the total number of households.

The economic conditions in the OKC MSA AA are strong and remain much better than other parts of the country. Major employers are oil and natural gas companies, as well as services, technology, hospitals, and universities. The Federal Government also employs a large number of workers at Tinker Air Force Base and The United States Department of Transportation.

Local banking competition in the OKC market is aggressive and includes several community, regional, and nation-wide banks and/or branches of these financial institutions.

A community contact was conducted during this review to help ascertain the credit needs of the OKC MSA AA. According to the contact the primary community development needs of OKC is quality jobs, affordable housing, and transportation.

The FNBO Kay County non-MSA AA is described below.

Demographic and Economic Characteristics of Kay County non-MSA AA	
Population	
Number of Families	12,296
Number of Households	18,397
Geographies	
Number of Census Tracts	11
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	27.27%
% Middle-Income Census Tracts	54.55%
% Upper-Income Census Tracts	18.18%
Median Family Income (MFI)	
2010 Census MSA MFI	\$50,850
2013 FFIEC Updated MSA MFI	\$48,806
Economic Indicators	
% Unemployment Rate	4.43%
Median Housing Value	\$74,343
% of Households Below Poverty Level	15.77%

Source: 2010 US Census data and 2013 updated income data.

FNBO has defined their Kay County AA as the southern and western portions of Kay County in northern Oklahoma, consisting of eleven census tracts. These tracts include the cities of Ponca City and Tonkawa. Of these, there are no low-income census tracts, three moderate-income census tracts, six middle-income census tracts, and two upper-income census tracts. Total population of the tracts is 4,562. Of the almost 22 thousand total housing units in the Kay county AA, 13,115 or 60 percent are owner occupied. Households below the poverty level total 2,902 or 16 percent and households that receive public assistance total 596 or 3 percent of the total number of households.

The economic conditions in the Kay County AA are good. The economy is primarily driven by oil production and the agriculture economy. Ponca City's largest employers include Phillips 66 Refinery, Ponca City Public Schools, Ponca City Medical Center, City of Ponca City, Smith Technologies, Dorada Foods, Mertz Manufacturing, Air Systems Components, Evans & Associates, and Supported Community Lifestyles. Increased oil and gas production, coupled with industrial and commercial development, has created many new jobs in the community.

Competition in the Ponca City and Tonkawa markets is also competitive as there are several community banks and branches of regional and nation-wide banks located in this AA.

A community contact was also conducted during this review to help ascertain the credit needs of the Kay County AA. The contact expressed an urgent need for more affordable housing in the community, particularly given the availability of jobs. They indicated the city’s housing stock was old, and that the city’s need and interest in spurring residential development presents an opportunity for banks to address. According to the contact, the local banks support commercial and industrial developments and are actively involved in sponsoring community activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

This CRA Performance Evaluation assesses the bank’s performance, focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AAs; lending to borrowers of different incomes and to businesses and farms of different sizes; geographic distribution of loans; and responses to complaints.

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

Loan-to-Deposit Ratio

FNBO’s loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank’s average quarterly LTD ratio from September 30, 2009 through December 31, 2013 was 81 percent. This average was compared to the average of four similar banks. Two of the banks are located in the Kay County AA and the other two were located in the OKC MSA AA. These comparable banks are listed in the following table:

Loan-To-Deposit Ratios		
Institution	Total Assets as of 12/31/2013 (000s)	Average LTD Ratio
Valliance Bank, Oklahoma City	\$316,996	91.75%
The First National Bank of Oklahoma	\$279,070	81.26%
The Eastman National Bank of Newkirk	\$227,065	77.15%
Your Neighborhood Bank, Yukon	\$186,329	62.06%
First Bank & Trust Company, Perry	\$148,002	58.35%

Source: Institution Reports of Condition from September 30, 2009 to December 31, 2013.

Lending in Assessment Areas

FNBO's lending in its AAs meets the standard for satisfactory performance. The majority of the number and dollar amount of home mortgage, business and agricultural loans were originated within the bank's AAs. As depicted in the table below, 69 percent of the number and 67 percent of the dollar amount of loans were originated in FNBO's AAs.

Lending in FNBO AAs										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans	270	72%	107	28%	377	\$20,616	66%	\$10,506	34%	\$31,122
Business Loans	15	50%	15	50%	30	\$5,844	75%	\$1,960	25%	\$7,804
Agricultural Loans	15	50%	15	50%	30	\$1,612	61%	\$1,052	39%	\$2,664
Totals	300	69%	137	31%	437	\$28,072	67%	\$13,518	33%	\$41,590

Source: HMDA LARs 2012 & 2013; Business and Agricultural Loan sampling 2012 & 2013.

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

The overall borrower distribution of loans in the bank's AAs is reasonable and meets the standard for satisfactory performance. FNBO's borrower distribution of home mortgage loans and small business loans in the OKC MSA AA is satisfactory. FNBO's borrower distribution of home mortgage loans and small farm loans in the Kay County AA is also satisfactory.

In the OKC MSA AA, more weight was given to business loans since they are the primary product. Less weight was given to residential real estate loans in the OKC MSA AA since they are typically made as an accommodation to the bank's commercial customers. In the Kay County AA, similar weight was accorded the key lending products of agriculture/farm loans and residential real estate mortgage loans.

Lending performance for home mortgage loans, business loans, and farms loans is illustrated in the following tables for OKC MSA AA and Kay County AA. These tables illustrate that the bank is meeting the credit needs of low- to moderate-income borrowers in its AA communities.

OKC MSA AA

Small Business Loans

FNBO's borrower distribution of loans to businesses with revenues of \$1 million or less is reasonable and meets the standard for satisfactory performance. By number, 35 percent of the sample included lending to small businesses with gross annual revenues of \$1 million or less. Since the percentage of loans to these small businesses (35

percent) exceeds 50 percent of the percentage of AA businesses (67 percent), it is considered reasonable. We note that approximately 27 percent of the businesses in the AA did not report income data, which softens the value of the 67 percent comparative measure. See the following table of OKC MSA AA business loan penetration:

Borrower Distribution of Loans to Businesses in OKC MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.13%	5.89%	26.88%	100%
% of Bank Loans in AA by #	35.00%	65.00%	0.00%	100%
% of Bank Loans in AA by \$	32.91%	67.09%	0.00%	100%

Source: 2012 & 2013 Business Loan sample; Dunn and Bradstreet data

Residential Real Estate Loans

Overall, FNBO’s distribution of residential real estate home mortgage loans to low- and moderate-income (LMI) borrowers is poor and does not meet the standard for satisfactory performance. However, less weight was given to home mortgage products in the OKC MSA AA since they are made typically as an accommodation to the bank’s commercial customers. When combined, the distribution of home mortgage loans (HMDA loans) to LMI borrowers in the OKC MSA AA is poor. The combined percentage of loans to LMI borrowers, at 20 percent, is significantly lower than the combined percentage of LMI AA families (41 percent) in the AA.

The distribution of home mortgage loans to low-income borrowers, at 6 percent, is very poor and is significantly lower than the percentage of low-income AA families (24 percent) in the OKC AA. The distribution of home mortgage loans to moderate-income borrowers, at 14 percent, is lower but near the percentage of moderate-income AA families (18 percent) in the OKC AA.

Because residential mortgage loans in the OKC MSA AA are typically made as an accommodation to the bank’s commercial customers, relatively few of these loans are originated, and they are typically made to established credit-worthy customers. Only 79 residential mortgage loans were originated in the OKC AA during the 2012 and 2013 lending test evaluation period. See the following table of OKC MSA AA HMDA loan penetration:

Borrower Distribution of Residential Real Estate Loans in OKC MSA 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
Home Purchase	23.63%	9.09%	17.58%	22.73%	18.80%	18.18%	39.99%	50.00%
Home Improvement	23.63%	16.67%	17.58%	0.00%	18.80%	0.00%	39.99%	83.33%
Refinancing	23.63%	0.00%	17.58%	5.88%	18.80%	35.29%	39.99%	58.82%
Total HMDA	23.63%	6.29%	17.58%	13.82%	18.80%	23.05%	39.99%	56.84%

Source: HMDA LARs 2012 & 2013; 2010 US Census data. Loan income data was unavailable for 21.9 percent of home purchase, 9.5 percent of home improvement, and 19.3 percent of refinance loans.

KAY COUNTY AA

Farm Loans

FNBO’s borrower distribution of loans to small farms with gross annual revenues of \$1 million or less is reasonable and meets the standard for satisfactory performance. While the percentage of the bank’s loans to farms with annual gross revenues of \$1 million or less in the Kay County AA was below the percentage of AA farms, by number, it was near the comparative ratio. Our source data noted only 1 percent of the farms in the AA did not report income data. See the following table of Kay County AA farm loan penetration:

Borrower Distribution of Loans to Farms in Kay County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	98.85%	0.00%	1.15%	100%
% of Bank Loans in AA by #	85.00%	15.00%	0.00%	100%
% of Bank Loans in AA by \$	71.22%	28.78%	0.00%	100%

Source: Agricultural Loan sampling 2012 & 2013; Dunn and Bradstreet data.

Residential Real Estate Loans

Overall, the bank’s distribution of residential real estate home mortgage loans to LMI borrowers is reasonable and meets the standard for satisfactory. The combined percentage of HMDA loans to LMI borrowers, at 26 percent, is lower but near the combined percentage of LMI AA families (38 percent).

The distribution of home mortgage loans to low-income borrowers, at 10 percent, is poor and is significantly lower than the percentage of low-income AA families (20 percent) in the Kay County AA. The distribution of home mortgage loans to moderate-

income borrowers, at 17 percent, is slightly lower than but near to the percentage of moderate-income AA families (18 percent) in the AA. However, the distribution of home purchase loans and home improvement loans to moderate-income borrowers, at 19 percent and 18 percent, respectively, exceeds the percentage of moderate-income AA families (18 percent) in Kay County AA. See the following table of Kay County AA mortgage loan penetration:

Borrower Distribution of Residential Real Estate Loans in Kay County 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
Home Purchase	20.13%	8.96%	17.72%	19.40%	20.51%	16.42%	41.64%	55.22%
Home Improvement	20.13%	3.13%	17.72%	18.75%	20.51%	18.75%	41.64%	59.38%
Refinancing	20.13%	13.33%	17.72%	13.33%	20.51%	17.33%	41.64%	56.00%
Total HMDA	20.13%	9.82%	17.72%	16.62%	20.51%	17.23%	41.64%	56.30%

Source: HMDA LARs 2012 & 2013; 2010 US Census data. Loan income data was unavailable for 21.9 percent of home purchase, 9.5 percent of home improvement, and 19.3 percent of refinance loans.

Geographic Distribution of Loans

The overall geographic distribution of loans is reasonable and meets the standard for satisfactory performance. FNBO’s geographic distribution of home mortgage loans, small business loans, and small farm loans in FNBO’s OKC MSA AA and Kay County AA is reasonable.

These tables illustrate the bank’s performance in penetrating low- and moderate-income geographies in those communities. Less weight was given to the Kay County AA since it contained no low-income tracts. In addition, in the OKC MSA AA, less weight was given to mortgage related products since they are made primarily as an accommodation to their commercial customers. Geographic distribution of home mortgage loans, business loans, and farm loans in both AAs is provided in the following tables.

OKC MSA AA

Small Business Loans

Overall, small business lending in the OKC MSA AA is reasonable and meets the standard for satisfactory performance. The geographic distribution of business loans located in the low-income census tracts is lower than the percentage of small businesses located in those tracts. However, the geographic distribution of business loans located in the moderate-income census tracts significantly exceeds the percentage of small businesses located in those tracts. When combined, 50 percent of the bank’s small business loans were made in LMI census tracts in the OKC MSA AA,

which exceeds the percentage of AA businesses (30 percent), located in the LMI tracts. See the following table of business loan dispersion:

Geographic Distribution of Loans to Businesses in OKC MSA 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 Loans	9.31%	5%	20.38%	45%	30.70%	35%	37.22%	15%

Source: Farm Loan sampling 2012 & 2013; Dunn and Bradstreet data. 2.38% of AA Businesses are N/A because two census tracts are not assigned an income level.

Residential Real Estate Loans

Overall, home mortgage lending in the bank’s OKC MSA AA is reasonable and meets the standard for satisfactory performance. The geographic distribution of home mortgage loans located in low-income census tracts is significantly lower than the percentage of owner occupied homes located in those tracts. However, a mitigating factor is the low percentage (6 percent) of owner occupied housing in those low-income census tracts, which limits the opportunities to extend home mortgage products in those tracts. The geographic distribution of home mortgage loans located in moderate-income tracts significantly exceeds the percentage of owner occupied homes located in those tracts.

Fifty percent of the bank’s home purchase lending was made to finance home purchases in LMI census tracts in the OKC MSA AA. When combined, 41 percent of the bank’s mortgage lending in its OKC MSA AA was extended in LMI census tracts, which exceeds the percentage of AA owner occupied housing (27 percent) in the LMI tracts. See the following table of the OKC MSA AA HMDA loan dispersion:

Geographic Distribution of Residential Real Estate Loans in OKC MSA 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
Home Purchase	6.37%	2.5%	20.65%	47.50%	30.79%	22.50%	42.19%	27.50%
Home Improvement	6.37%	0.00%	20.65%	25.00%	30.79%	37.50%	42.19%	37.50%
Refinance	6.37%	0.00%	20.65%	32.26%	30.79%	35.48%	42.19%	32.26%
Total HMDA	6.37%	1.27%	20.65%	39.24%	30.79%	29.11%	42.19%	30.38%

Source: HMDA LARs 2012 & 2013; 2010 US Census data.

KAY COUNTY AA

Small Farm Loans

There are no low-income census tracts in the Kay County AA. There are three moderate-income census tracts; however, all three are in Ponca City and are not farm areas. Consequently, geographic analysis for farm loans in this AA would not be meaningful.

Residential Real Estate Loans

Overall, home mortgage lending in the bank’s Kay County AA is reasonable and meets the standard for satisfactory performance. The percentage of home mortgage loans made in moderate-income census tracts is near the ratio of AA owner occupied housing and reflects reasonable dispersion. While the percentage of home purchase loans is less than but near the percentage of AA owner occupied housing, the percentage of home refinancings exceeds the percentage of AA owner occupied housing in the moderate- income tracts. There are no low-income census tracts in this AA. See the following table of the HMDA loan dispersion:

Geographic Distribution of Residential Real Estate Loans in Kay County 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
Home Purchase	0.00%	0.00%	21.61%	18.92%	56.15%	66.22%	42.19%	14.86%
Home Improvement	0.00%	0.00%	21.61%	8.82%	56.15%	76.47%	42.19%	14.71%
Refinance	0.00%	0.00%	21.61%	25.30%	56.15%	55.42%	42.19%	19.28%
Total HMDA	0.00%	0.00%	21.61%	19.90%	56.15%	63.35%	42.19%	16.75%

Source: HMDA LARs 2012 & 2013; 2010 US Census data.

Responses to Complaints

There have been no consumer complaints regarding the bank’s CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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 AA 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.