



PUBLIC DISCLOSURE

January 09, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 9888

400 E 1st
Heavener, OK 74937

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: This institution is rated Satisfactory

The significant factors supporting this rating include the following:

- The loan-to-deposit (LTD) ratio is *more than reasonable*, and exceeds the standard for satisfactory performance.
- A *substantial majority* of the dollar and number of loans sampled were originated inside the assessment area (AA), and exceeds the standard for satisfactory performance.
- The distribution of loans reflects a *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 loans throughout the AA.
- The bank has not received any consumer complaints regarding CRA performance.

SCOPE OF EXAMINATION

We evaluated First National Bank, Heavener, Oklahoma (FNB) 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. FNB's primary loan products include residential real estate loans and farm loans. The lending test evaluates the bank's record of meeting the credit needs of its AA, and we assessed FNB's performance under this test using a loan sample comprising 20 farmland loans, and all residential real estate loans originated from January 2, 2015 through September 30, 2016. FNB is required to report under the Home Mortgage Disclosure Act (HMDA).

DESCRIPTION OF INSTITUTION

FNB is a \$78 million community bank located in Heavener, Oklahoma. FNB is a wholly owned subsidiary of Sooner Southwest Bancshares, Inc., a three-bank holding company. FNB was established in 1910 and consists of the main bank and a branch office in Heavener plus a branch office in Poteau, Oklahoma. The main bank is located at 400 East First Street, with a staff of 21 employees. A full-service branch with a drive-thru facility is located at 602 West First Street, with a staff of three employees. The Poteau branch is located at 3104 North Broadway, with a staff of 14 employees. No locations have been opened or closed since the previous CRA examination. FNB offers a diverse line of loans, including Small Business Loans 504 & 7A, Federal Agricultural Mortgage Corporation, Farm Service Agency, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation, and deposit services during reasonable hours, Monday through Friday. FNB also offers banking services by telephone, the internet, remote deposit capture (started November 2016) and online bill payment. Automated Teller Machine service is available through the Heavener Branch Drive Thru and the Poteau Branch Drive Thru using the TransFund network. FNB's primary business focus is to serve commercial and consumer customers in Leflore County and immediate surroundings. As of September 30, 2016, FNB's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Farmland	\$23,161	38.66%
1-4 Family Residential RE Loans	\$11,665	19.47%
Commercial Loans	\$ 8,404	14.03%
Nonfarm nonresidential Loans	\$ 6,491	10.83%
Agriculture Production	\$ 4,580	7.64%
Consumer Loans	\$ 3,127	5.22%
Other Loans	\$ 2,484	4.15%
Total	\$59.912	100.00%

Source: September 30, 2016 Consolidated Reports of Condition and Income

There are no known legal or financial impediments that prevent the bank from meeting the credit needs within the AA. FNB is involved in and provides support to meet the community's financial needs. A CRA PE was last prepared December 5, 2012, and a "Satisfactory" rating was assigned.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's AA consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- and moderate-income (LMI) geographies. It meets the requirements of the CRA regulation.

FNB's AA is all of Le Flore County in eastern Oklahoma, and comprises 12 contiguous census tracts in the Ft Smith, Arkansas Metropolitan Statistical Area. No tracts are categorized as low-income, two are categorized as moderate-income, 10 are categorized as middle-income, and no tracts are categorized as upper-income tracts. The main bank and branch in Heavener are located in a moderate-income census tract adjacent to middle-income tracts. The Poteau branch is located in a middle-income census tract. The following table describes major demographic and economic characteristics of the AA based on 2010 U.S. Census data.

Demographic and Economic Characteristics of Le Flore County (AA)	
Population	
Number of Families	13,374
Number of Households	18,651
Geographies	
Number of Census Tracts	12
% of Low-Income Census Tracts	0.00%
% of Moderate-Income Census Tracts	16.67%
% of Middle-Income Census Tracts	83.33%
% of Upper-Income Census Tracts	0.00%
Median Family Income (MFI)	
2010 MFI for AA	\$46,436
2015 HUD-Adjusted MFI	\$49,600
Economic Indicators	
Unemployment Rate	7.6%
2010 Median Housing Value	\$71,728
% of Households Below Poverty Level	19.52%

Source: 2010 U.S. Census data

The total population of the AA is 50,384 persons. Although there are no designated low-income census tracts in the AA, there are LMI families throughout the AA. The local economy is dependent largely on the poultry industry. The area also benefits from agriculture, rail transport, mining, tourism, and Carl Albert State College in Poteau. As with most of Oklahoma, weakness in energy and contraction in goods industries broadly are obstacles to expansion. A percentage of the population commutes to work in Poteau (11 miles away) and Ft Smith, Arkansas (35 miles away). The economy in and around Heavener is supplemented by immigration, whose families work in the poultry industry. The major employers in the area are Kansas City Southern Railway, OK Foods, Carl Albert State College, Poteau Public Schools, Heavener Public Schools, and smaller agricultural operations. In Heavener, there are two banks – a branch of The Central National Bank of Poteau, and FNB. There are three banks competing in the Le Flore County AA – a branch of Spiro State Bank in Talihina – in addition to the two above.

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 Heavener generally has an abundance of needs, primarily in affordable single-family housing and higher quality single-family and apartment rental properties. The contact commented that declines in the oil industry harmed the local sales tax base, making improvements to an aging infrastructure more difficult. The contact also stated that banks inside the AA are actively involved in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's LTD ratio is *more than reasonable* and exceeds the standard for satisfactory performance. FNB's average quarterly LTD ratio from December 2012 through September 2016 is 83 percent. The average quarterly LTD of eleven similarly situated banks is 53 percent. The ratios range from a low of 25 percent to a high of 84 percent.

BANK	CITY	COUNTY	TA (000s)	Avg. LTD
First National Bank	Heavener	Leflore	78,163	83.10
The Central National	Poteau	Leflore	229,310	57.55
Spiro State Bank	Spiro	Leflore	50,303	30.24
Wilburton State Bank	Wilburton	Latimer	63,701	44.45
The First National Bank	Stigler	Haskell	108,380	41.92
Latimer State Bank	Wilburton	Latimer	72,345	25.40
Farmers Bank	Greenwood	Sebastian	198,165	50.91
The Idabel National	Idabel	McCurtain	122,044	65.43
First State Bank	Valliant	McCurtain	54,417	64.47
Union Bank of Mena	Mena	Polk	229,776	84.41
1st Bank & Trust	Broken Bow	McCurtain	135,647	58.29
McCurtain County NB	Broken Bow	McCurtain	223,617	58.76

Source: September 30, 2016 Consolidated Reports of Condition and Income

Lending in Assessment Area

Lending patterns during the review period indicate a *substantial majority* of the loans are originated inside the AA, and these patterns meet the standard for satisfactory performance. The following table presents a more specific identification of loan types inside and outside of FNB’s AA.

Residential Real Estate and Farm Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	31	83.78	6	16.22	37	2,390	86.63	369	13.37	2,759
Home Improvement	16	94.12	1	5.88	17	768	93.20	56	6.80	824
Refinance	12	92.31	1	7.69	13	493	81.76	110	18.24	603
Subtotal RE:	59	88.06	8	11.94	67	3,651	87.22	535	12.78	4,186
Farm Loans	12	60.00	8	40.00	20	2,555	58.27	1,830	41.73	4,385

Source: Data reported under HMDA; farm loan sample

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

Lending patterns during the review period, combined with FNB’s Performance Context, indicate a *reasonable penetration* of loan originations among borrowers of different income levels and farm loans of different sizes. The following tables present a more specific identification of residential and farm loan penetration patterns among borrowers inside the AA.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	24.08	6.45	18.40	19.35	19.83	32.26	37.69	41.94
Home Improvement	24.08	0.00	18.40	6.25	19.83	25.00	37.69	68.75
Refinance	24.08	41.67	18.40	33.33	19.83	0.00	37.69	25.00

Source: HMDA data for 1-4 Family Residential Loans

Borrower Distribution of Loans to Farms by Loan Size in AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	7	58.33	394,986	15.46
\$100,001 - \$250,000	1	8.33	208,000	8.14
\$250,001 - \$500,000	2	16.67	618,390	24.21
Over \$500,000	2	16.67	1,333,400	52.19
	12	100.00	2,554,776	100.00

Source: Farmland Loan sample.

FNB’s residential real estate loan penetration to LMI applicants is below the AA demographics for home purchase and home improvement. Bank management attributes this level of performance to several factors. First, the above average unemployment rate in Leflore County is high at 7.6 percent, and a high percentage of households below the poverty level at 19.2 percent, make it more difficult for LMI applicants to meet the bank’s loan standards for residential real estate loans, consistent with safe and sound banking practices. Second, FNB provides alternative financing for LMI applicants who may not meet the bank’s lending criteria, through loans that are eventually sold into the secondary market.

Geographic Distribution of Loans

Lending patterns during the review period, combined with FNB’s Performance Context, indicate a *reasonable dispersion* of loan originations throughout the AA, and these patterns meet the standard for satisfactory performance. The following tables present a more specific identification of loan dispersion throughout the AA.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	13.30	22.58	86.70	77.42	0.00	0.00
Home Improvement	0.00	0.00	13.30	18.75	86.70	81.25	0.00	0.00
Refinance	0.00	0.00	13.30	8.33	86.70	91.67	0.00	0.00

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

Geographic Distribution of Loans to Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.00	0.00	21.76	41.67	78.24	58.33	0.00	0.00

Source: Farmland loan sample

Responses to Complaints

There have been no consumer complaints regarding FNB's performance under the CRA since the previous evaluation dated December 5, 2012. FNB'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.