



PUBLIC DISCLOSURE

June 4, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Fletcher
Charter Number 12141**

**401 West Cole
Fletcher, OK 73541**

Office of the Comptroller of the Currency
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, and should not 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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory

The bank's lending performance is satisfactory given its size, financial condition, and the credit needs of its assessment area (AA).

The major factors that support this rating include:

- A majority of loans are originated inside the bank's AA.
- The borrower distribution of loans represents excellent penetration among businesses and borrowers of different income levels and exceeds the standard for satisfactory performance.
- No complaints were received about the bank's performance in helping to meet the credit needs of its AA.

The First National Bank of Fletcher, OK (FNB) is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Performance Evaluation.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FNB is a community bank headquartered in Fletcher, Oklahoma. The bank is majority owned by First Fletcher Bancshares, a one-bank holding company. FNB is affiliated with American Exchange Bank of Lindsay, Oklahoma, by common holding company owners. The affiliated bank is a state chartered institution under the American Holding Company of Lindsay, Incorporated. No affiliate activities were considered in the evaluation.

The main bank, a drive-in facility, and an Automated Teller Machine (ATM) are located at 401 West Cole in Fletcher, Oklahoma. A branch facility with a drive-in located at 1 South 5th Street in Sterling, Oklahoma was closed on July 19, 2013 due to the limited number of customers and lack of loan activity. The building was donated to Sterling City Hall. FNB retained 90 percent of the accounts in Sterling after the branch was closed. FNB continues to have an ATM and Night Deposit Drop located at the old Sterling branch location.

FNB's primary focus is to serve consumer and commercial customers in Fletcher, Sterling, and the surrounding areas. The bank meets these needs by providing traditional loan and deposit products, as well as telephone access service and internet service. FNB no longer originates residential real estate loans due to increased residential real estate regulations, their limited staffing, and the strong competition from larger financial institutions. FNB added a mobile banking app in 2017, which allows customers to transfer funds between their own accounts. FNB also began offering bill pay services in 2018. These products were added to provide additional banking access to aid in attracting new customers and retaining younger customers.

As of March 31, 2018, the bank's total assets equaled \$19.3 million, of which \$5 million, or 26 percent, was comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Portfolio Composition as of March 31, 2018		
Loan Category	\$ (000)	%
Commercial	\$1,777	35.59%
Consumer	\$1,202	24.06%
Agricultural	\$1,046	20.94%
Residential Real Estate	\$740	14.81%
Other	\$230	4.60%
Total	\$4,995	100.00%

Source: March 31, 2018 Report of Condition and Income.

There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the AA. FNB is involved in and provides support to the community's financial needs. The bank received an overall rating of "Satisfactory" at the last Community Reinvestment Act examination dated August 27, 2012.

Scope of the Evaluation

FNB was evaluated under Small Bank examination procedures, which compares the bank's lending activity during the evaluation period to 2010 U.S. Census demographic information and certain information updated by the 2015 American Community Survey (ACS). The bank's AA includes three census tracts within Comanche County. The bank's primary loan products were identified as business/farm loans and consumer loans. These lending products were sampled from 2015, 2016 and 2017. Lending in 2015 and 2016 was compared to 2010 U.S. Census data and lending in 2017 was compared to updated ACS data.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The Lending Test is rated: **Satisfactory**

The bank's lending performance is satisfactory given its size, financial condition, and the credit needs of its AA.

This CRA Performance Evaluation assesses FNB's performance primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate FNB's lending performance, a random sample of 110 loans was reviewed. Primary loan products offered by the bank were sampled and consisted of 29 consumer loans and 27 commercial/agricultural loans that originated from January 1, 2015 to December 31, 2016, and 28 consumer loans and 26 commercial/agricultural loans that originated in 2017. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable when considering performance context issues and meets the standard for satisfactory performance. The average quarterly LTD ratio since the last performance evaluation, dated August 27, 2012, through March 31, 2018, is 27 percent. The quarterly average LTD during this time frame has ranged from a low of 23 percent at March 31, 2014 to 30 percent multiple times throughout the period, with the most recent being December 31, 2017. The quarterly averages for four similarly situated banks were used in our assessment for comparison. FNB's ratio is the lowest of the five banks. See the table below for additional details.

Loan-to-Deposit Ratios		
Institution	Assets as of 3/31/18 \$(000)	Average LTD
<i>The First National Bank of Fletcher</i>	<i>\$19,263</i>	<i>27%</i>
American Exchange Bank, Lindsay, Oklahoma	\$66,131	28%
The First Farmers National Bank of Waurika	\$46,901	45%
Farmers and Merchants Bank of Maysville	\$20,658	53%
Washita Valley Bank	\$43,872	57%

Source: Call Report data from September 30, 2012 to March 31, 2018.

The low ratio is partially mitigated by the lack of loan demand in the bank’s primary lending area, especially in the towns of Fletcher and Sterling. Those communities have a limited number of businesses and have a large number of households on social security. The local customer base is older, which provides for significant and stable levels of deposits, but conversely, this group has limited borrowing needs. The LTD ratio is also affected by the bank’s investment in public funds. As of March 2018, public fund deposits accounted for more than 20 percent of the bank’s total deposits.

FNB continues to pursue lending opportunities within the local community. The number of loans originated in 2017 was an increase over the prior years. They continue to make a large number of small dollar loans, which does not greatly improve the LTD ratio. However, this small dollar lending addresses a significant need in the AA. Fifty-three percent of the loans made in 2016 and in 2017 were loans that originated for less than \$5,000. The bank has difficulty competing for loans with the branches of much larger financial institutions in the surrounding towns, especially in Elgin, OK.

FNB has also taken initiatives that are aimed at attracting new customers and retaining younger customers. They upgraded their internet banking services and recently started offering a mobile banking app.

Lending in Assessment Area

FNB’s lending in their AA meets the standard for satisfactory performance. A majority of the sampled loans are originated inside the bank’s AA. This conclusion is based on the samples of 57 consumer loans and 53 commercial/agricultural loans that originated in 2015, 2016, and 2017, as shown in following table:

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	47	82	10	18	57	331	60	219	40	550
Commercial/Agricultural	40	75	13	25	53	1,254	75	418	25	1,672
Totals	87	79	23	21	110	1,585	71	637	29	2,222

Source: Consumer Loans & Commercial/Agricultural Loans Samples.

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

The overall borrower distribution of loans reflects an excellent penetration. FNB exceeds the standard for satisfactory performance for lending to individuals of different income levels and businesses of different sizes. The following tables represent the distribution of lending based on 42 business/agricultural loans and 47 consumer loans extended within FNB’s AA:

2015-2016 - Borrower Distribution of Loans to Businesses/Farms in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	87.75	1.60	10.65	100.00
% of Bank Loans in AA by #	100.00	0	0	100.00
% of Bank Loans in AA by \$	100.00	0	0	100.00

Source: Loan sample; Dunn and Bradstreet data.

2017 - Borrower Distribution of Loans to Businesses/Farms in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	87.36	2.17	10.47	100.00
% of Bank Loans in AA by #	100.00	0	0	100.00
% of Bank Loans in AA by \$	100.00	0	0	100.00

Source: Loan sample; Dunn and Bradstreet data.

FNB’s loan distribution, by number and dollar amount of loans, to small business/farm customers is excellent and exceeds the standard for satisfactory performance. All of the sample loans were made to small businesses and farms that have gross annual revenues under \$1 million.

2015-2016 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.00	32.00	12.59	40.00	16.89	28.00	49.52	0.00

Source: Consumer Loan Sample; U.S. Census data.

2017 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	17.17	27.20	11.80	18.18	14.28	40.91	56.75	13.64

Source: Consumer Loan Sample; U.S. Census data.

FNB's distribution of consumer loans to borrowers of different income levels is excellent and exceeds the standard for satisfactory performance. The number of consumer loans extended to low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income households in the AA.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income census tracts in the AA.

Responses to Complaints

There have been no consumer complaints pertaining to FNB's CRA performance during this evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 08/27/12 to 06/04/18 Investment and Service Tests and CD Loans: N/A	
Financial Institution	Products Reviewed	
The First National Bank of Fletcher (FNB) Fletcher, OK	Business/Farm Loans Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>[Instructions: Provide only if affiliate products are reviewed.]</i> N/A		N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Oklahoma Oklahoma Non-MSA	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Oklahoma Non-MSA AA

The AA adopted by FNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

FNB's AA consists of 3 contiguous census tracts within Comanche County in Southwest Oklahoma. The AA includes tracts 20.03; 21.00; and 22.00 in the north and east portions of Comanche County. The main bank location and the ATMs are located in census tract 21.00. The following table describes major demographic and economic characteristics of the AA, based on 2010 U.S. Census data. This information will be used to analyze 2015 and 2016 loan data.

Demographic Information for Full-Scope Area: 2015-2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	33.30	66.70	0
Population by Geography	14,997	0	0	46.60	53.60	0
Owner-Occupied Housing by Geography	4,411	0	0	39.90	60.10	0
Businesses by Geography	635	0	0	46.50	53.50	0
Farms by Geography	116	0	0	50.00	50.00	0
Family Distribution by Income Level	4,218	14.60	14.10	22.50	48.70	0
Median Family Income = \$50,410		Median Housing Value = \$112,878				
HUD Adjusted Median Family Income for 2016 = \$57,100		Unemployment Rate = 2.98%				
Households Below the Poverty Level = 12.77%						

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census and 2016 D&B Data.

The total population of the AA is 14,997 persons. Although there are no low- or moderate-income census tracts in the AA, there are low- and moderate-income families in the AA. Of the 4,218 families, 15 percent are low-income families and 14 percent are moderate-income families. Of the 5,566 households, 13 percent are below the poverty level and 32 percent are on social security or public assistance.

The following table describes major demographic and economic characteristics of the AA, based on 2015 American Community Survey (ACS) data. ASC is a nationwide survey conducted by the U.S. Census Bureau that updates the decennial census to provide communities with more current and accurate demographic, social, economic, and housing data. This updated information will be used to analyze 2017 loan data.

Demographic Information for Full-Scope Area: 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	0	100.0	0
Population by Geography	15,637	0	0	0	100.0	0
Owner-Occupied Housing by Geography	4,503	0	0	0	100.0	0
Businesses by Geography	682	0	0	0.0	100.0	0
Farms by Geography	101	0	0	0.0	100.0	0
Family Distribution by Income Level	4,240	15.30	12.60	16.30	55.90	0
Median Family Income	= \$57,051	Median Housing Value		= \$158,326		
HUD Adjusted Median Family Income for 2017	= \$59,000	Unemployment Rate		= 3.46%		
Households Below the Poverty Level	= 9.05%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census and 2017 D&B Data.

The total population of the AA is 15,637 persons. Although there are no low- or moderate-income census tracts in the AA, there are low- and moderate-income families in the AA. Of the 4,240 families, 15 percent are low-income families and 13 percent are moderate-income families. Of the 5,714 households, 9 percent are below the poverty level and 35 percent are on social security or public assistance.

The local economic conditions continue to be stable. The housing market has seen growth in the area with new construction between Fletcher and Elgin. New owner occupied housing units are being built to accommodate people moving from Lawton. The agricultural activity in the area has declined, resulting in fewer borrowers and smaller loans. Many of the farmers have another source of income from jobs outside of farming. A majority of the residents of Fletcher and Sterling commute to Ft. Sill or Lawton for employment. The major employers in the area are the Fletcher Public School District, Georgia Pacific (Wallboard), Fort Sill Military Base, and Goodyear Tire Manufacturing Company. According to the Bureau of Labor Statistics, the unemployment rate in Comanche County Oklahoma as of March 2018 is 4.2 percent.

FNB faces strong competition from several branches of larger financial institutions, stand-alone banks, and other financial institutions located in the communities surrounding Fletcher.

A community contact was made during the examination to help ascertain the credit needs of the AA. The immediate credit needs of the community are being fulfilled, according to the contact. The main financial need in the area is for new home financing, consumer related loans, with a limited need for commercial loans. According to the contact, FNB is very involved in community activities and programs in the area.