



## **PUBLIC DISCLOSURE**

NOVEMBER 14, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CITY BANK AND TRUST COMPANY  
RSSD# 131155**

**601 NORTH MAIN STREET  
GUYMON, OKLAHOMA 73942**

**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.

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**INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING:** *This institution is rated Satisfactory*

City Bank and Trust Company (the bank) has a satisfactory record of meeting the credit needs of its assessment area (AA) pursuant to the Community Reinvestment Act (CRA), in a manner consistent with its resources, operating philosophy, and credit needs of the community it serves.

The bank's net loan-to-deposit (NLTD) ratio reflected a reasonable effort to extend credit, given its size, financial condition, AA credit needs, and the ratios of other similarly situated financial institutions. A substantial majority of the loans reviewed for this evaluation were originated within the bank's designated AA. In addition, the bank's lending reflected a reasonable dispersion of loans throughout its AA, based on the income level of census tracts. The bank's distribution of lending to low- and moderate-income (LMI) borrowers was reasonable based on an evaluation of relevant performance context factors such as economic conditions. Additionally, lending to businesses of different revenue sizes was reasonable.

**SCOPE OF EXAMINATION**

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. The examination included an evaluation of the bank's lending performance with contextual consideration given to the demographic profile of the area in which the bank operates. Four of the five criteria used to evaluate a small bank's lending performance under the CRA were relevant to this review and are listed as follows:

- NLTD Ratio
- Lending Inside the AA
- Distribution of Loans by Income Level of Geographies
- Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes.

The bank's responsiveness to complaints under the CRA, the fifth core criterion used to assess small bank performance, was not evaluated as the bank had not received any CRA-related complaints since the previous examination.

Conclusions regarding the bank's performance in the remaining four performance criteria were based on data compiled from its major product lines, discussions with management, a review of the Reports of Condition and Income, and a review of the number of loan originations since the bank's last CRA examination on August 8, 2010. Conclusions regarding its lending performance were evaluated based on a statistically derived sample of consumer closed end, residential real estate, and small business loans. The sample included 107 consumer closed end, 58 residential real estate, and 56 small business loans. All loans were originated between January 1, 2015 and December 31, 2015.

Only loans made inside the bank's AA were analyzed with respect to geographic and borrower distribution. The geographic distribution analysis was based on the bank's penetration within different geographic income categories. Geographic income classifications are based on the U.S. Census 2006-2010 American Community Survey (2010 ACS) data. The borrower distribution analysis was based on the bank's lending to individuals of different income categories, including LMI borrowers, and to businesses of different revenue sizes, particularly those with gross annual revenues of \$1 million or less. For the evaluation by borrower characteristics, borrower income levels were based on the corresponding year's estimated median family income figures from the FFIEC.

For evaluative purposes, the bank's lending performance was compared with area demographic data, including 2010 ACS data, 2015 FFIEC data, and 2015 Dun & Bradstreet (D&B) business data.

To supplement the evaluation, an interview was conducted with a member of the local community to help ascertain the specific credit needs, opportunities, and local market conditions within the AA the bank serves and to evaluate the bank's responsiveness in helping to meet such needs.

## **DESCRIPTION OF INSTITUTION**

The bank is a \$177.6 million institution and wholly owned subsidiary of Docking Bancshares, Inc., Arkansas City, Kansas, a multibank financial holding company. The parent company also owns 100.0 percent of The Union State Bank, Arkansas City, Kansas. The bank is headquartered in Guymon, Oklahoma, located 41 miles southwest of Liberal, Kansas, in the Oklahoma panhandle. The bank maintains a single, full-service location with a separate limited-service branch located two blocks away; the limited-service branch is deposit-taking only. In addition, the bank offers two deposit-taking automated teller machines at each office.

Based on the June 30, 2016 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks first of five FDIC-insured institutions in the bank's market, with 27.9 percent of the deposit market share. The bank is primarily a residential real estate lender; however, it offers a variety of products to meet the credit needs of the AA. Table 1 shows the distribution of the bank's loan portfolio as of June 30, 2016. The bank reported total assets of \$177.6 million, of which gross loans represented \$79.2 million. Since the previous examination, the bank's loan portfolio has increased by 15.9 percent, with the largest increase in residential real estate lending at 28.4 percent.

<b>TABLE 1                      CITY BANK AND TRUST COMPANY LOAN PORTFOLIO                      AS OF JUNE 30, 2016</b>		
<b>Loan Type</b>	<b>Amount \$(000)</b>	<b>Percent of Total</b>
Residential Real Estate	34,124	43.1
Commercial	25,247	31.9
Agricultural	10,302	13.0
Consumer	8,711	11.0
Other	766	1.0
<b>Gross Loans</b>	<b>79,150</b>	<b>100.0</b>

There are no legal or financial factors that prevent the bank from meeting the credit needs of its AA. The bank received a satisfactory rating at its previous CRA evaluation conducted by the Office of the Comptroller of the Currency on August 8, 2010.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

The bank's AA includes all of Texas County in Oklahoma and is comprised of three middle- and two upper-income census tracts. The AA has not changed since the previous evaluation.

*Population Trends and Characteristics*

According to 2015 FFIEC Census data, the population in the AA is 20,640. This reflects a 2.7 percent growth in population since the 2000 Census. In addition, the majority of the AA population resides in the city of Guymon, where the bank is located. The majority of residents in the AA are aged 25 to 64 years, with a median age of 31.6 years.

*Economic and Employment Characteristics*

The local economy is mainly supported by agriculture and natural gas production. Primary sources of employment include cattle ranches and feedlots, corporate pork farms, and natural gas production. According to bank management, the largest area employer is Seaboard Foods, a pork processing facility employing approximately 4,000 individuals. According to the 2015 FFIEC Census data, the current unemployment rate for the AA is 6.7 percent, which is slightly higher than the statewide rural figure of 6.2 percent.

According to bank management, plans are underway for the development of a Clear Line transmission line to transport renewable energy to Tennessee and other southeastern states, which will create construction jobs if the plans materialize. The line also will reportedly result in more wind farm towers being built in the area. Bank management also indicated that the Shawnee Tribe has stated intentions to build a casino north of Guymon; however, final approval has not yet been received. If constructed, the casino would create approximately 180 jobs.

*Income and Housing Characteristics*

The AA is somewhat more affluent than other statewide rural areas, with a median household income of \$44,444 compared to \$38,071 for statewide rural areas. Approximately 68.6 percent of the AA households are considered middle- and upper-income. AA households below poverty, at 14.8 percent, are lower than the 18.0 percent of households below poverty for statewide rural areas.

According to 2015 FFIEC Census data, the median housing value for the AA is \$83,622, compared to \$81,758 for statewide rural areas. While the median housing value in the AA is higher than statewide rural areas, the AA affordability ratio<sup>1</sup> of 53.2 percent indicates slightly more affordable housing when compared to the statewide rural affordability ratio of 46.0 percent. However, discussions with a community member revealed that affordable housing is a strong need in the area. The community member stated that employees of Seaboard Foods commute from other towns and cities due to the lack of affordable housing in Guymon. He also indicated that the city has had difficulty attracting local builders for new home construction due to the city's location and the inability to attract skilled labor to build the housing.

Table 2 summarizes AA characteristics based on the 2010 Census data.

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<sup>1</sup> Affordability ratios are calculated using median household income divided by median housing value. The higher the rate, the more affordable the housing stock.

**TABLE 2  
CITY BANK AND TRUST COMPANY  
2015 ASSESSMENT AREA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	718	14.3
Moderate	0	0.0	0	0.0	0	0.0	822	16.3
Middle	3	60.0	2,584	51.3	299	11.6	987	19.6
Upper	2	40.0	2,451	48.7	210	8.6	2,508	49.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>5</b>	<b>100.0</b>	<b>5,035</b>	<b>100.0</b>	<b>509</b>	<b>10.1</b>	<b>5,035</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Middle	4,357	2,526	52.0	58.0	1,105	25.4	726	16.7
Upper	3,873	2,328	48.0	60.1	1,124	29.0	421	10.9
<b>Total AA</b>	<b>8,230</b>	<b>4,854</b>	<b>100.0</b>	<b>59.0</b>	<b>2,229</b>	<b>27.1</b>	<b>1,147</b>	<b>13.9</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Middle	428	59.9	382	59.4	35	60.3	11	84.6
Upper	286	40.1	261	40.6	23	39.7	2	15.4
<b>Total AA</b>	<b>714</b>	<b>100.0</b>	<b>643</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>90.1</b>		<b>8.1</b>		<b>1.8</b>	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Middle	76	60.3	71	63.4	5	35.7	0	0.0
Upper	50	39.7	41	36.6	9	64.3	0	0.0
<b>Total AA</b>	<b>126</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>			<b>88.9</b>		<b>11.1</b>		<b>0.0</b>	

Based on 2010 ACS five-year estimate data, 2015 FFIEC census tract designations, and 2015 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 record of meeting the credit needs of the bank's AA is satisfactory, based on an assessment of the 24-quarter NLTD ratio, the level of lending within the AA, the geographic distribution of lending based on the income level of census tracts, and the distribution of lending to borrowers of different income levels and businesses of different revenue sizes.

**Net Loan-to-Deposit Ratio:**

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

The bank’s NLTD ratio reflects a reasonable effort to extend credit based on its size, financial condition, credit needs of the AA, and in context of the NLTD ratios of other local competitors and similarly situated banks. The bank’s NLTD ratio averaged 45.5 percent over 24 quarters, ending June 30, 2016. The bank’s 24-quarter average is lower than four similarly situated banks with NLTD ratios ranging from 60.3 percent to 70.0 percent over the same period; however, the bank’s deposit base includes a significant dollar amount of public funds. These deposits require an equal amount of securities pledged to ensure liquidity and to minimize loss exposure. As a result, the bank is unable to use these deposits for lending purposes. When public deposits are factored out, the bank’s NLTD ratio over the same 24-quarter period is approximately 60.0 percent, which is comparable to the similarly situated institutions operating in the area.

**Assessment Area Concentration:**

This performance criterion evaluates the bank’s lending inside the AA. The evaluation analyzes both the number and dollar volume of originations. As shown in Table 3, a substantial majority of the bank’s consumer, residential real estate, and small business loans were originated within the delineated AA at 90.5 percent by number and 83.5 percent by dollar volume. This indicates a reasonable effort to serve the credit needs of the community in which the bank operates.

<b>TABLE 3 CITY BANK AND TRUST COMPANY LENDING INSIDE AND OUTSIDE THE BANK’S ASSESSMENT AREA</b>								
<b>Bank Loans</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>
<b>Consumer</b>	99	1,434	92.5	86.3	8	228	7.5	13.7
<b>Residential</b>	56	5,416	96.6	96.1	2	218	3.4	3.9
<b>Small Business</b>	45	3,572	80.4	68.9	11	1,610	19.6	31.1
<b>TOTAL LOANS</b>	<b>200</b>	<b>10,422</b>	<b>90.5</b>	<b>83.5</b>	<b>21</b>	<b>2,056</b>	<b>9.5</b>	<b>16.5</b>

The remaining analysis considers only those loans originated inside the AA.

**Distribution by Income Level of Geographies:**

This performance criterion evaluates the bank’s distribution of loans by income levels of census tracts. In assessing a bank’s performance in this area, comparisons are made between the bank’s lending throughout its AA to the percentage of households, owner



occupied units, and businesses in each income tract level. The bank's AA does not contain any LMI census tracts.

**TABLE 4  
CITY BANK AND TRUST COMPANY  
DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHIES**

Census Tract Income Level	Consumer Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
Middle	48	740	48.5	51.6	51.3
Upper	51	695	51.5	48.4	48.7
Census Tract Income Level	Residential Loans				% of Owner Occupied Units <sup>1</sup>
	#	\$(000)	#%	\$%	
Middle	30	2,410	53.6	44.5	52.0
Upper	26	3,006	46.4	55.5	48.0
Census Tract Income Level	Small Business Loans				% of Businesses <sup>2</sup>
	#	\$(000)	#%	\$%	
Middle	24	1,391	53.3	38.9	59.9
Upper	21	2,181	46.7	61.1	40.1

<sup>1</sup> Based on 2010 ACS five-year estimate data and 2015 FFIEC census tract designations.

<sup>2</sup> Based on 2015 D&B data.

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

Consumer Loans

Consumer lending reflects a reasonable distribution among geographies of different income levels. The bank originated 48.5 percent of its consumer loans by number and 51.6 percent by dollar volume in the middle-income census tracts, which is comparable to the percentage of households in those tracts. Additionally, the bank's lending in the upper-income tracts by number, 51.5 percent, and dollar volume, 48.4 percent, was similar to the AA demographics at 48.7 percent of households located in the upper-income tracts.

Residential Loans

The bank's residential real estate lending reflects a reasonable distribution among geographies of different income levels. The bank competes with four other financial institutions in the AA as depicted in the FDIC Deposit Market Share Report for Texas County. The bank's lending in middle-income tracts by number, 53.6 percent, and dollar volume, 44.5 percent, is comparable to the 52.0 percent of owner-occupied units located in the middle-income tracts. In addition, lending in the upper-income census tracts at 46.4 percent by number and 55.5 percent by dollar volume is comparable to the 48.0 percent of owner-occupied units in those tracts.

Small Business Loans

The bank's small business lending reflects a reasonable distribution among geographies of different income levels. The bank originated 53.3 percent of its small business loans by number and 38.9 percent by dollar volume to businesses within the middle-income census

tracts, which was comparable to the demographic figure of 59.9 percent of businesses operating in these areas. In the upper-income tracts, the bank originated 46.7 percent of its small business loans by number and 61.1 percent by dollar volume, which exceeds the AA demographic number of 40.1 percent.

**Distribution by Borrower Income and Revenue Size of Businesses:**

This performance criterion evaluates the bank’s distribution of lending to businesses of different revenue sizes, with emphasis placed on businesses with gross annual revenues of \$1 million or less, as well as to borrowers of different income levels, with emphasis placed on LMI individuals. The bank’s consumer and residential real estate lending activity was compared to the percentage of households and families in the AA by income level, while small business lending activity was compared to the percentage of businesses operating in the AA by revenue sizes.

Based on the demographic profile and economic conditions of the AA, the bank’s overall distribution is reasonable.

<b>TABLE 5 CITY BANK AND TRUST COMPANY DISTRIBUTION BY INCOME LEVEL OF BORROWER AND REVENUE SIZE OF BUSINESSES</b>					
<b>Borrower Income Level</b>	<b>Consumer Loans</b>				<b>% of Households<sup>1</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	
<b>Low</b>	16	137	16.2	9.5	17.9
<b>Moderate</b>	32	421	32.3	29.3	13.5
<b>Middle</b>	28	361	28.3	25.2	19.8
<b>Upper</b>	23	516	23.2	36.0	48.8
<b>Borrower Income Level</b>	<b>Residential Loans</b>				<b>% of Families<sup>1</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	
<b>Low</b>	3	106	5.4	2.0	14.3
<b>Moderate</b>	15	1,024	26.8	18.9	16.3
<b>Middle</b>	16	1,279	28.6	23.6	19.6
<b>Upper</b>	22	3,008	39.3	55.5	49.8
<b>Business Revenue</b>	<b>Small Business Loans</b>				<b>% of Businesses by Revenue<sup>2</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	
<b>\$1MM or Less</b>	42	3,202	93.3	89.7	90.1
<b>Over \$1MM</b>	3	369	6.7	10.3	8.1
<b>Income Not Known</b>	0	0	0.0	0.0	1.8

<sup>1</sup> Based on 2010 ACS five-year estimate data.  
<sup>2</sup> Based on 2015 D&B data.  
 (Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Consumer Loans

Consumer lending reflects a reasonable distribution among borrowers of different income levels. The bank originated 16.2 percent by number and 9.5 percent by dollar volume to low-

income borrowers, which was comparable to the AA demographic figure of 17.9 percent of low-income households. The bank's lending to moderate-income borrowers by number at 32.3 percent and 29.3 percent by dollar volume exceeded the AA demographic figure of 13.5 percent of moderate-income households. Lending to middle-income borrowers exceeded the AA demographic percentage, while lending to upper-income borrowers was less than the AA demographic figure. A community contact stated that there was a need for consumer loans, primarily auto and personal loans. The bank's lending to LMI individuals in the AA reflects its effort to meet these needs of the community.

### Residential Real Estate Loans

Residential real estate lending reflects a reasonable distribution among borrowers of different income levels. The bank's distribution of lending to low-income borrowers was 5.4 percent by number and 2.0 percent by dollar volume, which is considerably lower than the AA's demographic level of low-income families at 14.3 percent. As previously mentioned, a community contact indicated that affordable housing is needed; however, the city of Guymon has had difficulty attracting builders due to the city's location and the inability to attract the necessary skilled labor. In addition, the community member stated there is a high volume of rental properties due to the transient nature of employees working for the pork processing facility. Because of the lack of affordable housing, many people who work in Guymon live in surrounding cities and towns and commute to Guymon for work.

Lending to moderate-income borrowers at 26.8 percent by number and 18.9 percent by dollar volume exceeded the AA's demographic figure of 16.3 percent of moderate-income families. In addition, lending to middle-income borrowers exceeded the AA demographic figure, and lending to upper-income borrowers was below the AA demographic figure.

### Small Business Loans

Small business lending reflects a reasonable distribution among businesses of different revenue sizes. The bank originated 93.3 percent of its small business loans by number and 89.7 percent by dollar volume to businesses with gross annual revenues of \$1 million or less. Its lending exceeded the AA demographic figure of 90.1 percent of small businesses operating in the AA. The bank's lending to businesses with revenues over \$1 million was lower than the AA demographic figure of 8.1 percent.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies and procedures, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants. In addition, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the needs of its community.