



PUBLIC DISCLOSURE

MAY 22, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PRIME BANK
RSSD# 3660478**

**1016 WEST COVELL ROAD
EDMOND, OKLAHOMA 73003**

**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.*

Prime Bank (the bank) has a satisfactory record of meeting the credit needs of its assessment area (AA). The bank's average net loan-to-deposit (NLTD) ratio reflects a more than reasonable effort to extend credit considering the characteristics of the bank, the performance of local competitors, and the credit needs of the community it serves. A majority of the bank's lending activity occurred inside its AA, and the bank's distribution of loans by income level of geographies reflects a reasonable dispersion throughout its AA. The bank's lending to businesses of different revenue sizes was reasonable. However, the bank's level of lending to borrowers of different income levels was poor, varying significantly from aggregate performance and area demographics in respect to the bank's residential real estate loan products.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. Four of the five criteria used in evaluating small bank lending performance were relevant to this review and are as follows:

- NLTD Ratio
- AA Concentration
- Distribution of Loans by Income Level of Geographies
- Distribution of Loans to Borrowers of Different Income Levels and Businesses of Different Revenue Sizes

The fifth criterion, the bank's responsiveness to complaints under the CRA, was not evaluated because the bank has not received any CRA-related complaints since the previous examination.

Conclusions regarding the four performance criteria were based on data compiled from the bank's major product lines: residential real estate and commercial loans. The major product lines were determined through discussions with bank management, a review of the December 31, 2016 Reports of Condition and Income (Call Report), and a review of the number of outstanding loan originations since the previous CRA evaluation.

The CRA evaluation was based on a full-scope review of the bank's lending performance in its designated AA, which includes the entirety of Oklahoma County, Oklahoma. The evaluation reviewed all 344 residential real estate loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan/Application Registers originated between January 1, 2014 and December 31, 2015. The examination also analyzed a statistically derived sample of 59 small business loans from a universe of 83 loans originated between July 1, 2016 and December 31, 2016. As defined under the CRA, small business loans included those with loan amounts of

\$1 million (MM) or less. Greater weight was placed on the bank's small business lending performance given the bank's strategic focus.

For evaluative purposes, the bank's HMDA-related lending was compared to local demographic data using the U.S. Census 2006-2010 five-year estimated American Community Survey (2010 ACS) data, 2016 FFIEC Census data, and 2014 and 2015 aggregate data reported by all HMDA reporters operating in the AA. The bank's small business lending was compared to 2016 Dun and Bradstreet (D&B) business data.

The geographic distribution analysis was based on the bank's lending among the various geographies comprising the AA with emphasis on lending in low- and moderate-income (LMI) census tracts. Geographies were classified based on the FFIEC's census tract designations pursuant to 2010 ACS data and the 2013 Office of Management and Budget Metropolitan Statistical Area (MSA) designations.

The borrower distribution analysis was based on the bank's lending to small businesses with gross annual revenues of \$1MM or less and to borrowers of different income categories. For the evaluation of borrower characteristics, borrower income levels were calculated based on the 2014 and 2015 FFIEC's Estimated Median Family Income (MFI) Reports. The evaluation of the bank's performance focused on the number of loans originated for each product as well as the dollar volume of those originations. Multifamily loans were not included in the borrower distribution analysis.

To gain an understanding of local economic conditions within the bank's AA and to evaluate the bank's responsiveness in helping to meet the credit needs within its AA, three interviews were conducted with members of the community and relied upon for additional performance context. A local real estate agent, a contact from a local economic development organization, and a contact from an affordable housing organization were interviewed.

DESCRIPTION OF INSTITUTION

The bank is a \$252.8MM institution headquartered in Edmond, Oklahoma, which is approximately 14 miles north of Oklahoma City and located in Oklahoma County. The bank is wholly owned by Prime Bank Group, Edmond, Oklahoma, a one-bank holding company. The bank operates one full-service location that includes a cash-dispensing automated teller machine and drive-through services.

The bank reported gross loans of \$232.9MM and total deposits of \$209.7MM on its December 31, 2016 Call Report. According to the Federal Deposit Insurance Corporation (FDIC) Market Share Report as of June 30, 2016, the bank has 0.9 percent of the market share in Oklahoma County and is ranked 25th among 54 FDIC-insured institutions with locations in Oklahoma County, signaling stiff competition. Of the 53 banks with deposits in the AA, approximately 56.6 percent have more than one office in the county. Further, the market's

deposits appear concentrated among five institutions in the AA, each reporting deposits over \$1 billion.

The commercial lending represents approximately 69.0 percent of the bank's loan portfolio, with a smaller proportion representing residential real estate lending at 28.3 percent. However, an analysis of the bank's 2015 residential real estate lending indicated that a majority of loans were originated for a business purpose. Approximately 68.6 percent by number of originated loans were nonowner-occupied for the purpose to purchase or refinance investment properties. While the bank recognizes commercial lending as its major focus, it offers a variety of credit and deposit products to serve its customer base. Table 1 illustrates the distribution of the bank's loan portfolio by product type as of December 31, 2016.

Loan Type	Amount \$(000)	Percent of Total
Commercial	160,571	69.0
Residential Real Estate	65,703	28.3
Agricultural	3,212	1.4
Consumer	1,961	0.8
Other	1,449	0.6
Gross Loans	232,896	100.0
Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.		

Based on the bank's asset size, product offerings, and financial condition, it has the ability to meet the credit needs of its AA. No financial or legal impediments exist that would impact the bank's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at its previous CRA evaluation conducted by the Federal Reserve Bank of Kansas City on March 18, 2013.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's delineated AA is contiguous and includes all of Oklahoma County. Oklahoma County is one of seven counties that comprise the Oklahoma City, Oklahoma MSA. The AA is comprised of 55 upper-, 75 middle-, 78 moderate-, 30 low-, and 3 unknown census tracts. The bank's only location is found in the northern portion of the Oklahoma City AA. The bank's office is located in an upper-income census tract in Edmond, Oklahoma. No changes have been made to the bank's AA since the previous evaluation.

Population Characteristics

According to 2015 FFIEC's Census data, the AA population of 776,864 reflects an 8.1 percent increase since 2010. Census data also indicated that the AA population accounts for 57.2 percent of the total Oklahoma City MSA population. The population in the city of Edmond is 90,092 per the 2015 FFIEC's data.

Housing Characteristics

The AA contains a total of 279,434 households; 173,643 or 62.1 percent of the total households include households that are families per the FFIEC's Census data. The AA's median age of housing stock at 39 years is higher than the Oklahoma City MSA average of 34 years. The median age of housing stock in LMI census tracts in the AA is 54 years and 46 years, respectively. The \$117,479 median housing value of the AA is less than the Oklahoma MSA average of \$121,318. Moreover, the AA's affordability ratio¹ at 36.5 percent is below the statewide and Oklahoma City MSA at 41.2 percent and 38.7 percent, respectively, indicating that housing is slightly less affordable when compared to the overall state and the greater metropolitan area.

Suburban areas north of Oklahoma City have undergone shifts in consumer housing demand. A community representative indicated the housing market appears strong, with many individuals choosing to relocate within the area to larger homes. Specifically, new home construction within the city of Edmond is often custom in nature. The area appears affluent, relative to the rest of the AA, with a median owner-occupied housing value of \$199,600 according to 2010 ACS data.

The composition of housing units in LMI tracts is varied. To illustrate, 54.2 percent of all AA housing units are owner-occupied; however, only 35.0 percent of housing units in low-income census tracts are owner-occupied. Approximately 40.4 percent of housing units in moderate-income census tracts are owner-occupied. Additionally, 65.0 percent of housing units in low-income tracts and 59.6 percent of housing units in moderate-income tracts are designated as rental or vacant. The AA contains a higher percentage of rental units at 33.7 percent when compared to the statewide and Oklahoma City MSA averages of 27.5 percent and 29.8 percent, respectively. The apartment occupancy rate in the AA is considered strong by two community representatives. Within Edmond, apartment complexes can be found in close proximity to the University of Central Oklahoma, with some luxury apartments in development stages according to a community representative.

Income Characteristics

Approximately 37.6 percent of families in the AA are upper-income, compared to 24.4 percent and 18.5 percent of families that are LMI, respectively. The \$54,437 MFI in the AA is approximately 7.4 percent lower than the Oklahoma City MSA but 1.5 percent higher than statewide Oklahoma. In addition, 12.6 percent of the AA households are below the poverty level, which is higher than statewide and the Oklahoma City MSA at 11.9 percent and 10.5 percent, respectively. The city of Edmond is affluent relative to the the rest of the AA. The median household income (MHI) in Edmond is \$71,974, approximately 67.8 percent higher than the AA's MHI.

¹ The housing affordability ratio is calculated by dividing the MHI by the median housing value. A lower ratio reflects less affordable housing.

Economic and Employment Characteristics

Oklahoma County captures the metropolitan area of Oklahoma City. Employment opportunities in high-skill industries such as healthcare, energy, and commerce allow a significant portion of the greater Oklahoma City MSA to commute to work in Oklahoma County. The major AA employers include the State of Oklahoma, Tinker Air Force Base, the University of Oklahoma, the Federal Aviation Administration Aeronautical Center, INTEGRIS Health (Medical), and Chesapeake Energy. The University of Central Oklahoma is located north of Oklahoma City and within three miles of the bank's headquarters. The university is a major local employer, with approximately 16,400 students enrolled in fall of 2016. A community representative noted that in the suburban area north of Oklahoma City, many individuals office out of their personal residences and are often self-employed entrepreneurs in rental real estate and mineral and land rights businesses.

Based on 2016 preliminary data from the U.S. Bureau of Labor Statistics, the unemployment rate in Oklahoma County is 4.1 percent, higher than the Oklahoma City MSA at 3.9 percent. Table 2 summarizes additional income-related demographics and economic characteristics of the bank's AA based on 2016 FFIEC's Census data.

**TABLE 2
OKLAHOMA COUNTY AA 2016 DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	30	12.4	13,892	8.0	4,860	35.0	42,443	24.4
Moderate	78	32.4	51,024	29.4	9,698	19.0	32,060	18.5
Middle	75	31.1	55,265	31.8	5,674	10.3	33,787	19.5
Upper	55	22.8	53,452	30.8	1,722	3.2	65,353	37.6
Unknown	3	1.2	10	0.0	0	0.0	0	0.0
Total AA	241	100.0	173,643	100.0	21,954	12.6	173,643	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-Occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	27,568	9,658	5.6	35.0	12,731	46.2	5,179	18.8
Moderate	107,292	43,324	25.1	40.4	47,332	44.1	16,636	15.5
Middle	99,158	59,144	34.3	59.6	29,802	30.1	10,212	10.3
Upper	83,377	60,140	34.9	72.1	17,173	20.6	6,064	7.3
Unknown	205	10	0.0	4.9	120	58.5	75	36.6
Total AA	317,600	172,276	100.0	54.2	107,158	33.7	38,166	12.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low	3,126	8.4	2,522	7.6	566	15.7	38	11.1
Moderate	8,963	24.1	7,926	23.8	976	27.0	61	17.8
Middle	11,760	31.6	10,485	31.5	1,161	32.1	114	33.3
Upper	12,762	34.3	11,870	35.7	783	21.7	109	31.9
Unknown	611	1.6	465	1.4	126	3.5	20	5.8
Total AA	37,222	100.0	33,268	100.0	3,612	100.0	342	100.0
Percentage of Total Businesses:				89.4			9.7	0.9
Based on 2010 ACS data, 2016 FFIEC census tract designations, and 2016 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 its AA through its lending activities is satisfactory. The bank's NLTD ratio reflects a more than reasonable effort to extend credit. A majority of the bank's loans are made within its delineated AA. Lending reflects reasonable penetration throughout the AA based on the income level of geographies, and the distribution to businesses of different revenue sizes is also reasonable. The distribution of lending to borrowers of different income levels reflects poor penetration; however, it did not impact the overall rating.

While conclusions with respect to the bank's HMDA lending were evaluated for 2014 and 2015, only lending tables presenting the 2015 loan data are shown. Refer to Appendix A to review the bank's 2014 HMDA lending data.

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.

Overall, the bank's NLTD ratio reflects a more than 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 similarly situated institutions. The bank's NLTD ratio averaged 103.7 percent over the most recent 16 quarters, declining from an average of 108.2 percent noted at the prior evaluation. The bank's 16-quarter range was comparable to six similarly situated institutions that had average NLTD ratios ranging from 53.6 percent to 105.0 percent over the same period.

Assessment Area Concentration:

This core performance criterion evaluates the bank's lending inside its delineated AA. The evaluation analyzes the number and dollar volume of originations. Table 3 illustrates that a majority of the bank's small business and HMDA loans were originated within the delineated AA at 86.1 percent by number and 84.2 percent by dollar. This indicates a reasonable effort by the bank to serve the credit needs of the community in which it operates. The remaining analysis considers only those loans originated inside the AA.

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Home Purchase	133	20,629	84.2	82.8	25	4,298	15.8	17.2
Home Refinance	31	3,397	83.8	74.2	6	1,179	16.2	25.8
Home Improvement	12	1,233	100.0	100.0	0	0	0.0	0.0
Multifamily	1	3,160	100.0	100.0	0	0	0.0	0.0
Total HMDA-related	177	28,419	85.1	83.8	31	5,477	14.9	16.2
Small Business	53	11,561	89.8	84.9	6	2,050	10.2	15.1
TOTAL LOANS	230	39,980	86.1	84.2	37	7,527	13.9	15.8

Distribution by Income Level of Geographies:

This performance criterion evaluates the bank's distribution of lending within its AA by income levels of census tracts. Performance is evaluated by comparing the percentage of total loans made in each census tract income category to the respective percentage of households and businesses within each census tract income category. Additionally, the level of aggregate lending by all HMDA reporters was considered to produce a stronger comparison as it is

reflective of actual loan demand from traditional banking institutions within the designated tract income levels. Overall, the bank's geographic distribution of loans is reasonable considering the bank's location and AA demographics.

**TABLE 4
DISTRIBUTION OF 2015 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner- Occupied Units ²
	#	\$(000)	%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	2	100	1.9	0.6	2.2	0.9	5.6
Moderate	27	4,687	26.0	26.7	18.5	11.8	25.1
Middle	25	2,870	24.0	16.4	32.4	24.4	34.3
Upper	50	9,882	48.1	56.3	46.9	62.7	34.9
Unknown ³	0	0	0.0	0.0	0.0	0.3	0.0
Home Purchase Loans							
Low	1	43	1.4	0.4	1.7	0.7	5.6
Moderate	13	811	17.6	7.2	18.8	10.7	25.1
Middle	21	2,419	28.4	21.4	31.6	24.6	34.3
Upper	39	8,041	52.7	71.1	47.9	63.9	34.9
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Home Refinance Loans							
Low	1	57	4.3	2.3	2.3	1.0	5.6
Moderate	12	698	52.2	28.4	15.8	8.0	25.1
Middle	4	451	17.4	18.4	32.2	24.4	34.3
Upper	6	1,249	26.1	50.9	49.7	66.6	34.9
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	5.2	1.8	5.6
Moderate	1	18	16.7	3.0	22.0	10.0	25.1
Middle	0	0	0.0	0.0	37.6	24.8	34.3
Upper	5	592	83.3	97.0	35.3	63.4	34.9
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multifamily Units²
Low	0	0	0.0	0.0	4.0	1.1	
Moderate	1	3,160	100.0	100.0	52.5	32.8	47.6
Middle	0	0	0.0	0.0	25.3	22.4	27.1
Upper	0	0	0.0	0.0	17.2	40.7	18.5
Unknown ³	0	0	0.0	0.0	1.0	3.0	0.2

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

² The percentage of owner-occupied housing and multifamily units by tract are based on 2015 FFIEC census tract designations and 2010 ACS data.

³ Refers to census tracts without an income designation.

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

Home Mortgage Loans

The bank's geographic distribution of 2015 HMDA-reportable loans is considered reasonable. As shown in Table 4, the bank's lending in low-income census tracts at 1.9 percent by number (0.6 percent by dollar) is comparable to the performance of aggregate HMDA lenders at 2.2 percent by number (0.9 percent by dollar) and slightly below the percentage of owner-occupied units at 5.6 percent. Lending in moderate-income census tracts at 26.0 percent by number (26.7 percent by dollar) was above both aggregate performance and the percentage of owner-occupied units at 18.5 percent by number (11.8 percent by dollar) and 25.1 percent, respectively.

The bank's lending in middle-income census tracts at 24.0 percent by number was below aggregate lenders and the percentage of owner-occupied units. Lending to upper-income census tracts at 48.1 percent by number exceeded aggregate performance and the percentage of owner-occupied units.

Within the individual product categories, the bank reported a low volume of home improvement and multifamily loans. Analysis of these low volumes would not result in meaningful conclusions; thus, home improvement and multifamily lending were not evaluated.

Home Purchase Loans

The geographic distribution of the bank's 2015 home purchase loans reflects a reasonable dispersion throughout the delineated AA. As shown in Table 4, the bank's lending in low-income census tracts at 1.4 percent by number (0.4 percent by dollar) is slightly less than the percentage of owner-occupied units at 5.6 percent. However, the bank's lending is comparable to the performance of aggregate HMDA lenders at 1.7 percent by number (0.7 percent by dollar). Lending in moderate-income tracts at 17.6 percent by number (7.2 percent by dollar) is also comparable to aggregate HMDA lenders but below the percentage of owner-occupied units at 18.8 percent (10.7 percent by dollar) and 25.1 percent, respectively. The bank's home purchase lending in middle-income census tracts at 28.4 percent by number is lower than the aggregate and demographic figures. The bank's lending in upper-income census tracts exceeds the aggregate lenders and the percentage of owner-occupied units in the AA.

As previously mentioned, the bank operates one location in the northern portion of the Oklahoma City metropolitan area. The majority of LMI census tracts in the AA are concentrated in the southwestern portion of the AA, located at a distance from the bank's office in Edmond. There is a high degree of banking competition within Oklahoma County. Approximately 56.6 percent of institutions operating within the county have more than one office location, offering alternative levels of accessibility and convenience. The proximity of the bank to LMI census tracts in the AA and the saturation of competition within the county were considered in this evaluation.

The distribution of the bank's 2014 home purchase loans is detailed in Appendix A. The analysis indicated that no loans were originated in low-income census tracts. However,

aggregate performance is similar to 2015 performance at 1.6 percent by number, indicating sustained competition within the AA. Moderate-income lending in 2014 showed performance below aggregate lenders and the demographic data, but indicated year over year improvement when considered comprehensively with 2015 performance. In addition, performance is consistent with the lower volume of owner-occupied housing in the AA's LMI tracts, which may indicate limited lending opportunities in these areas.

Refinance Loans

The geographic distribution of home refinance loans reflects an excellent penetration in the bank's AA. Per Table 4, refinance loans in low-income census tracts at 4.3 percent by number (2.3 percent by dollar) exceeds aggregate HMDA lenders at 2.3 percent by number (1.0 percent by dollar) and is slightly below the percentage of owner-occupied units of 5.6 percent. Refinance loans in moderate-income census tracts at 52.2 percent by number (28.4 percent by dollar) exceeds both aggregate lenders at 15.8 percent by number (8.0 percent by dollar) and the percentage of owner-occupied units in moderate-income tracts at 25.1 percent. The bank's refinance lending in middle-income census tracts at 17.4 percent by number is below both aggregate and demographic data. Lending performance in upper-income census tracts at 26.1 percent by number is also below aggregate lenders and the percentage of owner-occupied units in upper income tracts.

The bank's lending performance in 2014 shows that no home refinance loans were originated in LMI census tracts. As previously mentioned, proximity to the AA's LMI census tracts and limited lending opportunities were considered as mitigating factors. Moreover, the bank's year over year LMI home refinance lending performance improved dramatically in 2015, and thus, overall performance is considered reasonable.

**TABLE 5
DISTRIBUTION OF 2016 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY**

Census Tract Income Level	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$(%)	
Low	4	1,175	7.5	10.2	8.4
Moderate	8	2,037	15.1	17.6	24.1
Middle	22	4,142	41.5	35.8	31.6
Upper	19	4,208	35.8	36.4	34.3
Unknown ³	0	0	0.0	0.0	1.6

¹ CRA data reports only business loans in the amount of \$1MM or less.

² The percentage of businesses is based on 2016 FFIEC census tract designations and 2016 D&B data.

³ Does not include lending activity where the census tract is not reported, which is 2.2 percent by number and 0.5 percent by dollar for aggregate lenders.

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

Small Business Loans

The geographic distribution of small business lending demonstrates reasonable penetration in the bank's AA. The bank's lending performance to businesses in low-income tracts at

7.5 percent by number (10.2 percent by dollar) is comparable to the percentage of businesses located in those tracts at 8.4 percent. The bank originated 15.1 percent (17.6 percent by number) of small business loans in moderate-income census tracts. In comparison, 24.1 percent of businesses within the AA are located in moderate-income census tracts. While the majority of the bank's small business loans were originated in the middle- and upper-income census tracts, performance is considered reasonable based on the competitive environment of the AA given there are 53 other banking institutions in the Oklahoma County market. As previously mentioned, approximately 56.6 percent of competitors have more than one office in the county. Further, a community representative indicated that Edmond is regarded as a bedroom community to Oklahoma City, comprised of a preponderance of middle- and upper-income census tracts. Income homogeneity in the Edmond area and the saturation of banking services in Oklahoma County were considered in the evaluation of small business lending performance.

Distribution by Borrower Income and Revenue Size of Businesses

This criterion evaluates the bank's lending to borrowers of different income levels, particularly LMI individuals. Additionally, the analysis evaluates the bank's level of lending to businesses with gross annual revenues of \$1MM or less. The evaluation reviews both the number of loan originations and the dollar volume. Overall, the bank's distribution of loans represents poor penetration among individuals of different income levels and a reasonable distribution to businesses of different revenue sizes.

**TABLE 6
DISTRIBUTION OF 2015 HMDA LOANS
BY BORROWER INCOME LEVELS**

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans³							
Low	1	46	1.0	0.3	6.8	2.8	24.4
Moderate	1	120	1.0	0.7	16.0	9.4	18.5
Middle	2	171	1.9	1.0	18.9	14.1	19.5
Upper	24	4,879	23.1	27.8	37.3	47.0	37.6
Unknown	76	12,323	73.1	70.3	21.1	26.7	0.0
Home Purchase Loans							
Low	1	46	1.4	0.4	6.8	3.4	24.4
Moderate	1	120	1.4	1.1	17.1	11.9	18.5
Middle	2	171	2.7	1.5	18.8	17.0	19.5
Upper	13	2,821	17.6	24.9	35.4	49.8	37.6
Unknown	57	8,156	77.0	72.1	21.9	17.9	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	5.6	2.3	24.4
Moderate	0	0	0.0	0.0	12.6	6.9	18.5
Middle	0	0	0.0	0.0	16.6	12.0	19.5
Upper	6	1,466	26.1	59.7	40.9	53.8	37.6
Unknown	17	989	73.9	40.3	24.3	24.9	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	9.8	3.2	24.4
Moderate	0	0	0.0	0.0	19.0	8.6	18.5
Middle	0	0	0.0	0.0	25.8	16.0	19.5
Upper	5	592	83.3	97.0	39.7	58.8	37.6
Unknown	1	18	16.7	3.0	5.7	13.4	0.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² The percentage of families is based on 2015 FFIEC census tract designations and 2010 ACS data.
³ Multifamily loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Home Mortgage Loans

The bank's distribution of 2015 HMDA-reportable loans to borrowers of different income levels is considered poor. As shown in Table 6, the bank originated one loan at 1.0 percent by number (0.3 percent by dollar) to a low-income borrower, which is below the aggregate performance of HMDA lenders at 6.8 percent by number (2.8 percent by dollar) as well as the percentage of families in the AA at 24.4 percent. Lending to moderate-income borrowers reflects similar performance, with one loan comprising 1.0 percent by number (0.7 percent by dollar) of HMDA-related lending. This figure is below the aggregate performance at 16.0 percent by number (9.4 percent by dollar) and the percentage of families in the AA at 18.5 percent. The bank's lending to middle-income borrowers at 1.9 percent by number is below aggregate performance and the percentage of families. Lending to upper-income borrowers was similar; bank performance is below both aggregate performance and the percentage of

upper-income families in the AA.

Within the individual product categories, the bank reported a low volume of home improvement loans. Analysis of these low volumes would not result in meaningful conclusions; thus, home improvement lending was not evaluated.

Home Purchase Loans

The borrower distribution of home purchase loans reflects poor penetration in the bank's AA. A review of the bank's 2015 HMDA lending revealed that one home purchase loan was made to a low-income borrower. Comprising 1.4 percent of originations by number and 0.4 percent of originations by dollar, lending performance is below the aggregate level of HMDA reporters at 6.8 percent by number (3.4 percent by dollar). Lending performance to moderate-income borrowers at 1.4 percent by number (1.1 percent by dollar) is below the aggregate at 17.1 percent by number (11.9 percent by dollar). Comparatively, LMI families comprise 24.4 percent and 18.5 percent of all AA families, respectively. Loans to middle-income borrowers at 2.7 percent by number are less than aggregate performance and the demographic figure. Home purchase loans to upper-income borrowers at 17.6 percent are below aggregate lending and the percentage of upper-income families in the AA at 35.4 percent by number and 37.6 percent, respectively.

A community representative with specialized knowledge in affordable housing indicated LMI individuals in Oklahoma County face obstacles in qualifying for loans. The most common factor is poor credit histories, which require prolonged remediation efforts to meet loan qualification standards. Additionally, the same community representative cited a lack of funds for down payment as another factor for LMI individuals in purchasing a home.

As previously mentioned, a significant proportion of the bank's residential real estate lending is business purpose in nature, with many loans originated to nonnatural persons. Approximately 68.6 percent by number of the bank's 2015 HMDA-reportable originated loans were made to nonnatural persons for investment and rental property purposes. Per HMDA guidelines, income is not required to be reported on the bank's Loan/Application Register for these types of loans and is categorized as unknown in Table 6.

In order to better assess the bank's lending to individuals, consideration was given to the bank's secondary market product originations as these products are also part of the bank's residential real estate strategy. Due to HMDA reporting guidelines and the nature of the bank's relationship with its investors when originating these loans, they do not appear on the bank's HMDA Loan/Application Register. In 2015, secondary market loans reflected 25.4 percent more originations than the bank's 2015 in-house HMDA originations. However, overall LMI origination volume in the secondary market product was also below aggregate HMDA lender performance. Given the significant gap between the bank's current lending levels, aggregate lending levels, and the percentage of LMI families present in the AA, the bank's home purchase lending performance is considered poor. This assessment is consistent with the bank's home refinance products, as detailed below.

The bank's 2014 home purchase lending to LMI borrowers reflects similar performance and is detailed in Appendix A.

Refinance Loans

The borrower distribution of home refinance loans reflects poor penetration in the bank's AA. The bank did not originate a home refinance loan to a low-, moderate-, or middle-income borrowers in 2015. Aggregate HMDA lenders originated 5.6 percent, 12.6 percent, and 16.6 percent by number to low-, moderate-, and middle-income borrowers, respectively. Six home refinance loans were originated to upper-income borrowers at 26.1 percent by number, below the aggregate level of lending and the percentage of upper-income families in the AA. A high number of the refinance loans were to borrowers with unknown income information, consistent with the above determination of investment property-related loans.

A community representative with a local affordable housing organization indicated there are three to four local institutions in the area that work with LMI applicants on qualification for various home loan products. LMI borrowers soliciting help in the qualification process are typically referred to a credit counseling organization and then to one of the aforementioned institutions.

The bank's 2014 performance reflects similar levels of home refinance lending to LMI borrowers. Given the bank's current and prior lending levels, home refinance lending performance is considered poor.

TABLE 7 DISTRIBUTION OF 2016 SMALL BUSINESS LOANS BY REVENUE SIZE					
Business Revenue By Size	Small Business Loans¹				% of Businesses²
	#	\$(000)	#%	\$%	
\$1MM or less	35	6,126	66.0	53.0	89.4
Over \$1MM	18	5,436	34.0	47.0	9.7
Not Known	0	0	0.0	0.0	0.9

¹ The CRA defines small business loans as loans in the amount of \$1MM or less.
² The percentage of businesses is based on 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The bank's small business lending reflects a reasonable distribution among businesses of different revenue sizes. The bank originated 66.0 percent by number (53.0 percent by dollar) of its small business loans to businesses with revenues of \$1MM or less. Performance is below AA demographics, with 89.4 percent of businesses in the area reporting revenues of \$1MM or less. The bank's lending to businesses with revenues over \$1MM at 34.0 percent exceeds the demographic figure of 9.7 percent. For context, the bank's performance was compared to that of banks reporting small business loan origination data under the CRA. The bank's performance appears reasonable when considering the reported lending by all CRA filers in

the bank's AA. Aggregate CRA data indicated performance at 44.3 percent by number (39.6 percent by dollar) to businesses with less than \$1 million in annual revenues.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory acts or practices was identified. Furthermore, the bank has not engaged in any illegal credit practices inconsistent with helping to meet community credit needs.

APPENDIX A

2014 HOME MORTGAGE DISCLOSURE ACT

TABLE A-1 DISTRIBUTION OF 2014 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner- Occupied Units ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	2.3	1.3	5.6
Moderate	3	245	4.1	2.3	19.1	12.8	25.1
Middle	18	1,873	24.7	17.2	32.7	26.1	34.3
Upper	52	8,762	71.2	80.5	45.8	59.9	34.9
Home Purchase Loans							
Low	0	0	0.0	0.0	1.6	0.9	5.6
Moderate	3	245	5.1	2.6	18.1	10.2	25.1
Middle	16	1,798	27.1	19.3	31.6	24.8	34.3
Upper	40	7,272	67.8	78.1	48.8	64.1	34.9
Home Refinance Loans							
Low	0	0	0.0	0.0	2.9	1.1	5.6
Moderate	0	0	0.0	0.0	18.9	11.1	25.1
Middle	1	59	12.5	6.3	33.6	26.7	34.3
Upper	7	883	87.5	93.7	44.7	61.1	34.9
Home Improvement Loans							
Low	0	0	0.0	0.0	5.0	2.3	5.6
Moderate	0	0	0.0	0.0	23.5	14.6	25.1
Middle	1	16	16.7	2.6	37.5	29.3	34.3
Upper	5	607	83.3	97.4	33.9	53.9	34.9
Multifamily Loans							% of Multifamily Units²
Low	0	0	0.0	0.0	3.9	5.1	6.6
Moderate	0	0	0.0	0.0	57.8	45.9	47.6
Middle	0	0	0.0	0.0	25.5	35.8	27.1
Upper	0	0	0.0	0.0	12.7	13.2	18.5
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.2

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² The percentage of owner-occupied housing and multifamily units by tract are based on 2014 FFIEC census tract designations and 2010 ACS data.
³ Refers to census tracts without an income designation.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-2
DISTRIBUTION OF 2014 HMDA LOANS BY BORROWER INCOME LEVELS**

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans³							
Low	0	0	0.0	0.0	6.0	2.5	24.4
Moderate	2	281	2.7	2.6	16.4	9.6	18.5
Middle	3	157	4.1	1.4	18.0	13.3	19.5
Upper	20	3,554	27.4	32.7	38.5	48.9	37.6
Unknown	48	6,888	65.8	63.3	21.1	25.7	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	5.3	2.5	24.4
Moderate	2	281	3.4	3.0	17.1	11.2	18.5
Middle	1	95	1.7	1.0	17.7	15.1	19.5
Upper	11	2,330	18.6	25.0	38.6	52.9	37.6
Unknown	45	6,609	76.3	71.0	21.3	18.2	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	6.3	2.8	24.4
Moderate	0	0	0.0	0.0	13.2	7.8	18.5
Middle	2	62	25.0	6.6	16.0	11.6	19.5
Upper	4	621	50.0	65.9	38.7	50.6	37.6
Unknown	2	259	25.0	27.5	25.9	27.2	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	9.4	3.6	24.4
Moderate	0	0	0.0	0.0	20.2	11.7	18.5
Middle	0	0	0.0	0.0	24.9	13.9	19.5
Upper	5	603	83.3	96.8	39.4	54.2	37.6
Unknown	1	20	16.7	3.2	6.1	16.6	0.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² The percentage of families is based on 2010 ACS data and 2014 FFIEC census tract designations.
³ Multifamily loans are not considered in the Borrower Analysis.
 (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)