



PUBLIC DISCLOSURE

MAY 13, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**THE COMMUNITY STATE BANK
RSSD# 706254**

**1409 NORTH BROADWAY
POTEAU, OKLAHOMA 74953**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

Institution's CRA Rating 2

Scope of Examination 2

Description of Institution..... 3

Conclusions with Respect to Performance Criteria 3

Fair Lending or Other Illegal Credit Practices Review..... 5

Le Flore County Metropolitan Assessment Area (Full Review) 6

 Description of Le Flore County Metropolitan Assessment Area 6

 Conclusions with Respect to Performance Criteria 8

Latimer County Assessment Area (Full Review)..... 14

 Description of Latimer County Assessment Area (Full Review) 14

 Conclusions with Respect to Performance Criteria 16

Appendix A – Map of the Assessment Areas 19

Appendix B – Demographic Information 20

Appendix C – Glossary 22

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

The Community State Bank (the bank) is rated **Satisfactory** and was also rated Satisfactory under the Community Reinvestment Act (CRA) at its March 16, 2015 performance evaluation.

- The bank is meeting the credit needs of its community based on an analysis of lending activity.
- The bank's net loan-to-deposit (NLTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment areas (AAs).
- A substantial majority of the bank's loans are originated inside the AAs.
- A reasonable dispersion of loans occurs throughout the bank's AAs.
- Lending reflects a poor penetration among individuals of different income levels, including low- and moderate-income (LMI), but a reasonable penetration to businesses and farms of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* was utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed in both of the bank's AAs, the Le Flore County Metropolitan AA and the Latimer County AA. The branch located in the Latimer County AA was opened on February 28, 2017. The following criteria were reviewed:

- **NLTD** – A 16-quarter average NLTD ratio was calculated for the bank and compared to a sample of similarly situated institutions.
- **Lending in the AA, Geographic Distribution, and Distribution to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes** – The universe of home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) and originated from January 1, 2017 through December 31, 2017, and statistical samples of the bank's small business and small farm loans originated from January 1, 2018 through December 31, 2018, were reviewed and compared to applicable demographic and aggregate data. Although lending performance in both AAs was weighted equally, by product, more weight was placed on small business and small farm lending in these analyses due to the bank's strategic focus on these products.

- **Response to Substantiated Complaints** – Neither the bank nor the Reserve Bank received any CRA-related complaints since the previous evaluation. Therefore, this criterion was not evaluated.
- **Community Contacts** – Two community representatives, one from an economic development organization and the other from a local chamber of commerce, were contacted to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Poteau, Oklahoma. The bank’s characteristics include the following:

- Total assets of \$262.7 million as of September 30, 2018.
- In addition to its main office in Poteau, the bank has five additional offices located in Poteau, Spiro, Talihina, Wister, and Wilburton, Oklahoma.
- The main office and five other branches are all full-service branches with full-service automated teller machines at their locations.
- The bank’s primary business focus is agricultural and commercial lending.

TABLE 1 THE COMMUNITY STATE BANK LOAN PORTFOLIO AS OF SEPTEMBER 30, 2018		
Loan Type	\$(000)	%
Agriculture	76,708	37.1
Commercial	61,405	29.7
Residential Real Estate	58,400	28.2
Consumer	8,554	4.1
Other	1,838	0.9
Gross Loans	206,905	100.0

Note: Percentages may not total 100.0 percent due to rounding.

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the

AAs, and in comparison to several similarly situated Federal Deposit Insurance Corporation (FDIC)-insured institutions. The bank's NLTD ratio is reasonable.

TABLE 2 COMPARATIVE NLTD RATIOS	
Institution	NLTD Ratio (%)
	16-Quarter Average
The Community State Bank	87.0
FirstBank	96.7
First Bank and Trust Company	64.9
Central National Bank of Poteau	68.4

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AAs. A substantial majority of the bank's loans, by number and dollar, are originated inside the AAs.

TABLE 3 LENDING INSIDE AND OUTSIDE THE AA								
Loan Type	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Home Purchase	75	7,372	94.9	93.7	4	498	5.1	6.3
Home Refinance	13	4,607	92.9	93.9	1	300	7.1	6.1
Home Improvement	6	741	85.7	88.1	1	100	14.3	11.9
Multifamily	0	0	0.0	0.0	1	2,490	100.0	100.0
Total HMDA Loans	94	12,720	93.1	79.0	7	3,388	6.9	21.0
Small Business Loans	106	10,073	90.6	90.8	11	1,024	9.4	9.2
Small Farm Loans	126	7,627	90.6	91.8	13	682	9.4	8.2
Total Loans	326	30,420	91.3	85.7	31	5,094	8.7	14.3

Note: Percentages may not add to 100.0 percent due to rounding.

The remaining performance criteria consider only those loans originated inside the bank's AAs.

Geographic and Borrower Distribution

The geographic distribution performance criterion evaluates the bank's distribution of lending within its AAs by income level of census tracts. The bank's geographic distribution of loans reflects a reasonable penetration among the different census tracts within Le Flore County Metropolitan AA. The geographic distribution was not evaluated in the Latimer County AA as the AA is comprised of only middle-income census tracts and would not render a meaningful analysis.

The borrower distribution performance criterion evaluates the bank's lending to borrowers of different income levels, with emphasis placed on lending to LMI individuals as well as to businesses and farms of different revenue sizes, with emphasis placed on lending to those with gross annual revenues of \$1MM or less. The bank's lending reflects a poor dispersion among individuals of different income levels (including LMI), but a reasonable dispersion among businesses and farms of different revenue sizes.

Additional detail for both geographic and borrower distribution for each specific AA will be provided later in this performance evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act requirements found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

LE FLORE COUNTY METROPOLITAN ASSESSMENT AREA
(Full Review)

DESCRIPTION OF THE BANK'S OPERATIONS IN THE LE FLORE COUNTY METROPOLITAN ASSESSMENT AREA

The bank's AA is comprised of Le Flore County in its entirety; which is part of the Fort Smith, Oklahoma – Arkansas Metropolitan Statistical Area (MSA). (See **Appendix A** for an AA map).

- The AA is comprised of 12 census tracts (three moderate-, eight middle- and one upper-income tracts).
- The AA composition has changed since the 2015 performance evaluation, which was comprised of two moderate- and ten middle-income tracts. (See **Appendix B** for additional demographic information).
- The bank's head office as well as four branch offices are located in this AA.
- As of June 30, 2018, the bank's market share was 35.3 percent of FDIC-insured deposits in AA, ranking first out of five institutions operating in the AA. However, while the bank has the largest market share, other institutions have multiple branches, which increases competition.

Area	2010 Population	2015 Population	Percent Change
Le Flore County Metropolitan AA	50,384	49,899	(1.0)
Fort Smith, Arkansas-Oklahoma MSA	280,467	280,384	(0.0)
State of Oklahoma	3,751,351	3,849,733	2.6

Source: 2010 U.S. Census Bureau Decennial Census
2011-2015 U.S. Census Bureau: American Community Survey (ACS)

- The population of the AA experienced a minimal decrease of 1.0 percent between 2010 and 2015, compared to the state of Oklahoma, which saw a 2.6 percent population increase over the same period.
- Poteau, Oklahoma, is the county seat of Le Flore County, home to a majority of the population in the AA. Other areas of the county are largely rural in nature and less densely populated.
- A community representative stated that Le Flore County is a bedroom community for the Fort Smith workforce.

TABLE 5 MEDIAN FAMILY INCOME CHANGE			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Le Flore County Metropolitan AA	43,536	45,696	5.0
Fort Smith, Arkansas-Oklahoma MSA	46,436	48,075	3.5
State of Oklahoma	53,607	58,029	8.2

Source: 2006-2010 U.S. Census Bureau: ACS
2011-2015 U.S. Census Bureau: ACS

- The median family income for the AA is comparable to the Fort Smith, Arkansas-Oklahoma MSA, but slightly below the state of Oklahoma.
- The AA population consists of only 17.3 percent of families living below the poverty level, which is comparable to the MSA at 17.3 percent but above the state of Oklahoma at 12.4 percent.
- As reflected in Table 5, median family income growth was comparable to the MSA and slightly below the state of Oklahoma during the 2011-2015 period captured in the U.S. Census Bureau's American Community Survey (ACS).

TABLE 6 HOUSING COSTS CHANGE						
Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Le Flore County Metropolitan AA	72,700	81,600	12.2	529	570	7.8
Fort Smith, Arkansas-Oklahoma MSA	93,272	103,026	10.5	566	621	9.7
State of Oklahoma	104,300	117,900	13.0	633	727	14.8

Source: 2006-2010 U.S. Census Bureau: ACS
2011-2015 U.S. Census Bureau: ACS

- The median housing value in the AA is lower than both the MSA and state of Oklahoma figures. Additionally, the Le Flore County Metropolitan AA's affordability ratio¹ of 44.8 percent is higher than both the MSA and the state of Oklahoma at 37.5 percent and 39.8 percent, respectively. This ratio indicates that housing in this AA is generally more affordable than housing in both the MSA and the state of Oklahoma.
- The median age of housing stock is 40 years, which could indicate local housing units may be in need of renovation, potentially warranting increased home improvement lending opportunities in the AA.

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

**TABLE 7
UNEMPLOYMENT RATES**

Region	2013	2014	2015	2016	2017
Le Flore County Metropolitan AA	8.8	7.0	6.9	7.0	5.8
Fort Smith, Arkansas-Oklahoma MSA	8.0	6.2	5.5	4.7	4.2
State of Oklahoma	5.4	4.5	4.4	4.9	4.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The AA’s major employment industries are in healthcare, retail, and manufacturing.
- The unemployment rate for the AA is comparable to the MSA and state of Oklahoma figures.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Geographic Distribution of Loans

The bank’s geographic distribution of loans reflects a reasonable dispersion among the different census tracts within the AA.

Home Mortgage Disclosure Act–Reportable Lending

The geographic distribution of HMDA lending is reasonable. The bank’s lending in the moderate-income census tracts by number was below the other HMDA lenders operating in the AA (aggregate data) and also the percentage of owner-occupied units (demographic figure). By dollar volume, lending in moderate-income census tracts was comparable to aggregate data and slightly trailed the demographic figure. While the bank’s lending performance was lower than the demographic and aggregate figures by both number and dollar, there were some mitigating factors that helped to raise the bank’s performance rating in this category to reasonable.

The bank has five offices in LeFlore County; however, only one of the bank’s five offices is located in close proximity, ten miles northwest, to the LMI tracts in LeFlore County. Additionally, there are two competing banks with three total locations inside the moderate-income tracts. The bank does not have a location in either of these census tracts. Lastly, the Poteau River creates a natural barrier between the moderate-income tracts and the closest branch. The bank offers limited mortgage products and does not offer several products, such as Veterans Administration (VA), Farm Services Agency, Fair Housing Act (FHA) and U.S. Department of Agriculture loans, which other lenders in the market include within their loan portfolio.

The bank’s lending in middle-income census tracts was above aggregate data and the demographic figure by both number and dollar volume. Lending in the upper-income census tract was comparable by number to both aggregate data and the demographic figure, but below by dollar volume when compared to aggregate data.

**TABLE 8
DISTRIBUTION OF 2017 HMDA LOANS
BY INCOME LEVEL OF GEOGRAPHY
LE FLORE COUNTY METROPOLITAN AA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data		% of Owner- Occupied Units
	#	\$(000)	#%	\$%	#%	\$%	
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	9	1,861	11.0	16.1	16.0	18.5	19.8
Middle	62	8,794	75.6	76.1	69.8	65.9	68.6
Upper	11	902	13.4	7.8	14.3	15.6	11.6
Unknown	0	0	0.0	0.0	0.0	0.0	0.0

Originations and Purchases
2017 FFIEC Data

NOTE: Percentages may not add up to 100.0 due to rounding.

Small Business Lending

The geographic distribution of small business lending is poor. The bank’s lending in moderate-income tracts is below the percentage of businesses located in moderate-income tracts. However, lending in the middle-income tracts is comparable to the demographic data, while lending in upper-income tracts was above demographics. As previously stated, there are geographic factors that affect access to the bank’s nearest branch from the moderate-income tracts, as well as the presence of two competing banks with three offices operating in the moderate-income tracts. While considering this context, the bank’s performance is still below the level expected to reasonably serve the entire AA, including the two contiguous moderate-income tracts.

**TABLE 9
DISTRIBUTION OF 2018 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
LE FLORE COUNTY METROPOLITAN AA**

Census Tract Income Level	Bank Loans				% of Businesses
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	5	219	5.1	2.6	14.8
Middle	75	6,891	75.8	81.4	73.7
Upper	19	1,354	19.2	16.0	11.5
Unknown	0	0	0.0	0.0	0.0

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS.

NOTE: Percentages may not add up to 100.0 due to rounding.

Small Farm Lending

The geographic distribution of small farm lending is reasonable. The bank’s lending in moderate-income tracts is comparable to the percentage of farms in moderate-income tracts. Additionally, the bank’s lending in middle-income tracts is below the percentage of farms, while lending in the upper-income tracts is above the percentage of small farms in the area.

TABLE 10 DISTRIBUTION OF 2018 SMALL FARM LOANS BY INCOME LEVEL OF GEOGRAPHY LE FLORE COUNTY METROPOLITAN AA					
Census Tract Income Level	Bank Loans				% of Farms
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	21	2,113	18.8	30.8	19.0
Middle	65	2,751	58.0	40.1	70.2
Upper	26	1,997	23.2	29.1	10.7
Unknown	0	0	0.0	0.0	0.0

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS.
NOTE: Percentages may not add up to 100.0 due to rounding.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The bank’s lending has a poor penetration among individuals of different income levels (including LMI), but a reasonable penetration to businesses and farms of different sizes.

Home Mortgage Disclosure Act–Reportable Lending

The borrower distribution of HMDA lending is poor. Lending to low-income borrowers was comparable to aggregate HMDA lenders by both number and dollar, but significantly below the percentage of low-income families in the AA. The bank’s lending to moderate-income borrowers was significantly below the aggregate data and the demographic figure and was a primary factor in the rating for this component. While the bank’s mortgage loan product line does not include FHA or other mortgage loan products with lower down payment requirements and specifically tailored to first time home buyers, there is typically demand for traditional lending products from LMI borrowers that appears to be unmet. Lending to middle-income borrowers was also below aggregate and the demographic figure, while lending to upper-income borrowers significantly exceeded aggregate data and the demographic figure.

**TABLE 11
 DISTRIBUTION OF 2017 HMDA LOANS
 BY BORROWER INCOME LEVEL
 LE FLORE COUNTY METROPOLITAN AA**

Borrower Income Level	Bank Loans				Aggregate HMDA Data		Families by Family Income %
	#	\$(000)	#%	\$%	#%	\$%	
Low	2	83	2.4	0.7	3.6	1.7	23.4
Moderate	3	143	3.7	1.2	14.6	8.8	17.6
Middle	5	475	6.1	4.1	19.3	15.1	20.1
Upper	46	8,094	56.1	70.0	39.4	52.0	38.9
Unknown	26	2,762	31.7	23.9	23.0	22.4	0.0

*Originations and Purchases
 2017 FFIEC Data*

NOTE: Percentages may not add up to 100.0 due to rounding.

Small Business Lending

The borrower distribution of small business lending is reasonable. The bank’s lending to small businesses is comparable to the percentage of small businesses in the AA. Additionally, a majority of the small business loans (90.9 percent by number) were for amounts of \$250,000 or less, indicating the bank’s willingness to meet the credit needs of small businesses.

**TABLE 12
 DISTRIBUTION OF 2018 SMALL BUSINESS LOANS
 BY REVENUE SIZE OF BUSINESSES
 LE FLORE COUNTY METROPOLITAN AA**

	Bank Loans				Total Businesses
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	92	6,568	92.9	77.6	89.4
Over \$1 Million	7	1,896	7.1	22.4	7.3
Not Known	0	0	0.0	0.0	3.3
Total	99	8,463	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	79	2,433	79.8	28.7	
\$100,001 – \$250,000	11	1,591	11.1	18.8	
\$250,001 – \$1 Million	9	4,439	9.1	52.5	
Total	99	8,463	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	78	2,423	84.8	36.9	
\$100,001 – \$250,000	8	1,215	8.7	18.5	
\$250,001 – \$1 Million	6	2,930	6.5	44.6	
Total	92	6,568	100.0	100.0	

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS.
 NOTE: Percentages may not add up to 100.0 due to rounding.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank’s lending to small farms is comparable to the percentage of small farms in the AA. Additionally, a majority of the small farm loans (96.5 percent by number) were for amounts of \$250,000 or less, indicating the bank’s willingness to meet the credit needs of small farms.

**TABLE 13
 DISTRIBUTION OF 2018 SMALL FARM LOANS
 BY REVENUE SIZE OF FARMS
 LE FLORE COUNTY METROPOLITAN AA**

	Bank Loans				Total Farms
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	110	6,511	98.2	94.9	97.6
Over \$1 Million	2	350	1.8	5.1	1.2
Not Known	0	0	0.0	0.0	1.2
Total	112	6,862	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	88	2,519	78.6	36.7	
\$100,001 – \$250,000	20	3,158	17.9	46.0	
\$250,001 – \$500,000	4	1,185	3.6	17.3	
Total	112	6,862	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	88	2,519	80.0	38.7	
\$100,001 – \$250,000	18	2,807	16.4	43.1	
\$250,001 – \$500,000	4	1,185	3.6	18.2	
Total	110	6,511	100.0	100.0	
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS. NOTE: Percentages may not add up to 100.0 due to rounding.					

LATIMER COUNTY ASSESSMENT AREA
(Full Review)

DESCRIPTION OF THE BANK’S OPERATIONS IN THE LATIMER COUNTY ASSESSMENT AREA

The bank’s AA is comprised of Latimer County in its entirety (see **Appendix A** for an AA map).

- The AA is comprised of seven middle-income tracts.
- The AA is new since the 2015 performance evaluation, with the addition of the branch in Wilburton in 2017. (See **Appendix B** for additional demographic information).
- As of June 30, 2018, the bank’s market share was 15.9 percent of FDIC-insured deposits in the AA, ranking third out of four institutions operating in the AA.

TABLE 14 POPULATION CHANGE			
Area	2010 Population	2015 Population	Percent Change
Latimer County AA	11,154	10,774	(3.4)
State of Oklahoma	3,751,351	3,849,733	2.6

*Source: 2010 U.S. Census Bureau Decennial Census
2011-2015 U.S. Census Bureau: ACS*

- The population of the AA experienced a decrease of 3.4 percent between 2010 and 2015, compared to the state of Oklahoma, which saw a 2.6 percent population increase over the same period.
- Bank management indicated that the AA has a heavy agricultural foot print and a high college student population due to Carl Albert State College.

TABLE 15 MEDIAN FAMILY INCOME CHANGE			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Latimer County AA	48,817	49,942	2.3
State of Oklahoma	53,607	58,029	8.2

*Source: 2006-2010 U.S. Census Bureau: ACS
2011-2015 U.S. Census Bureau: ACS*

- According to the 2015 U.S. Census, median family income grew at a slower pace in the AA when compared to the state of Oklahoma.
- The AA population consists of 15.1 percent of families living below the poverty level, which is comparable to the state of Oklahoma percentage of 12.4 percent.

**TABLE 16
HOUSING COSTS CHANGE**

Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Latimer County AA	65,700	80,500	22.5	477	506	6.1
State of Oklahoma	104,300	117,900	13.0	633	727	14.8

Source: 2006-2010 U.S. Census Bureau: ACS
2011-2015. Census Bureau: ACS

- Lower housing costs in the AA compensate for the lower median family income in Latimer County.
- Median housing costs are far below the Oklahoma statewide figures, suggesting housing affordability in the AA. However, wage growth in the AA was minimal, supporting bank staff's and community contact's statements that local banks have trouble finding qualified home buyers in the AA.

**TABLE 17
UNEMPLOYMENT RATES**

Region	2013	2014	2015	2016	2017
Latimer County AA	9.6	7.5	8.1	8.8	7.5
State of Oklahoma	5.4	4.5	4.4	4.9	4.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The AA's major industries are comprised of healthcare, education services and construction.
- The unemployment rate for the AA is higher than the state of Oklahoma's and the United States in general.
- Employers are also experiencing a shortage of higher-skilled workers for open job positions in the area, with cannabis production being the only new business ventures or operations experiencing growth.
- A community representative indicated that the AA is also experiencing low employment opportunities, as most employers are not looking to expand their operations.
- A community representative indicated that the few job openings in the AA are hard to fill due to a shortage of skilled workers to fill the positions. The cannabis industry is the only sector experiencing any growth or expansion at this time.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The bank’s lending has a reasonable penetration among individuals of different income levels (including LMI) and businesses and farms of different sizes.

Home Mortgage Disclosure Act-Reportable Lending

The borrower distribution of HMDA lending is reasonable. The bank did not originate any loans to low-income borrowers. This is below aggregate data and significantly below the percentage of low-income families in the AA. The bank established the AA at the end of February 2017 with only ten percent of the bank’s total lending occurring in the AA. Despite the bank’s lack of lending in low-income census tracts, the overall rating for HMDA lending is reasonable. The HMDA lending data used for this review utilizes 2017 lending data only and only includes ten months of data for this institution given the opening date of the new branch. Additionally, borrowers may not have been aware of the new branch opening in their area, which may have also impacted lending performance for 2017. The bank’s lending to moderate-income borrowers is comparable by number to both the aggregate data and the demographic figure, while lending by dollar exceeded aggregate data. The bank’s lending to middle-income borrowers greatly exceeded both aggregate data and the demographic figure, while lending to upper-income borrowers was below aggregate data and the demographic figure.

**TABLE 18
DISTRIBUTION OF 2017 HMDA LOANS
BY BORROWER INCOME LEVEL
LATIMER COUNTY AA**

Borrower Income Level	Bank Loans				Aggregate HMDA Data		Families by Family Income %
	#	\$(000)	#%	\$%	#%	\$%	
Low	0	0	0.0	0.0	5.0	4.0	23.6
Moderate	2	313	16.7	26.9	15.8	14.0	17.4
Middle	5	405	41.7	34.8	25.7	28.3	18.2
Upper	4	363	33.3	31.2	38.6	41.1	40.8
Unknown	1	82	8.3	7.1	14.9	12.6	0.0

*Originations and Purchases
2017 FFIEC Data*

NOTE: Percentages may not add up to 100.0 due to rounding.

Small Business Lending

The borrower distribution of small business lending is reasonable. The bank’s lending to small businesses with revenues of \$1MM or less is comparable to the percentage of small businesses in the AA.

**TABLE 19
DISTRIBUTION OF 2018 SMALL BUSINESS LOANS
BY REVENUE SIZE OF BUSINESSES
LATIMER COUNTY AA**

	Bank Loans				Total Businesses
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	6	953	85.7	59.2	84.7
Over \$1 Million	1	657	14.3	40.8	10.7
Not Known	0	0	0.0	0.0	4.6
Total	7	1,609	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	3	114	42.9	7.1	
\$100,001 – \$250,000	2	338	28.6	21.0	
\$250,001 – \$1 Million	2	1,157	28.6	71.9	
Total	7	1,609	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	3	114	50.0	12.0	
\$100,001 – \$250,000	2	338	33.3	35.5	
\$250,001 – \$1 Million	1	501	16.7	52.6	
Total	6	953	100.0	100.0	

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS.
NOTE: Percentages may not add up to 100.0 due to rounding.

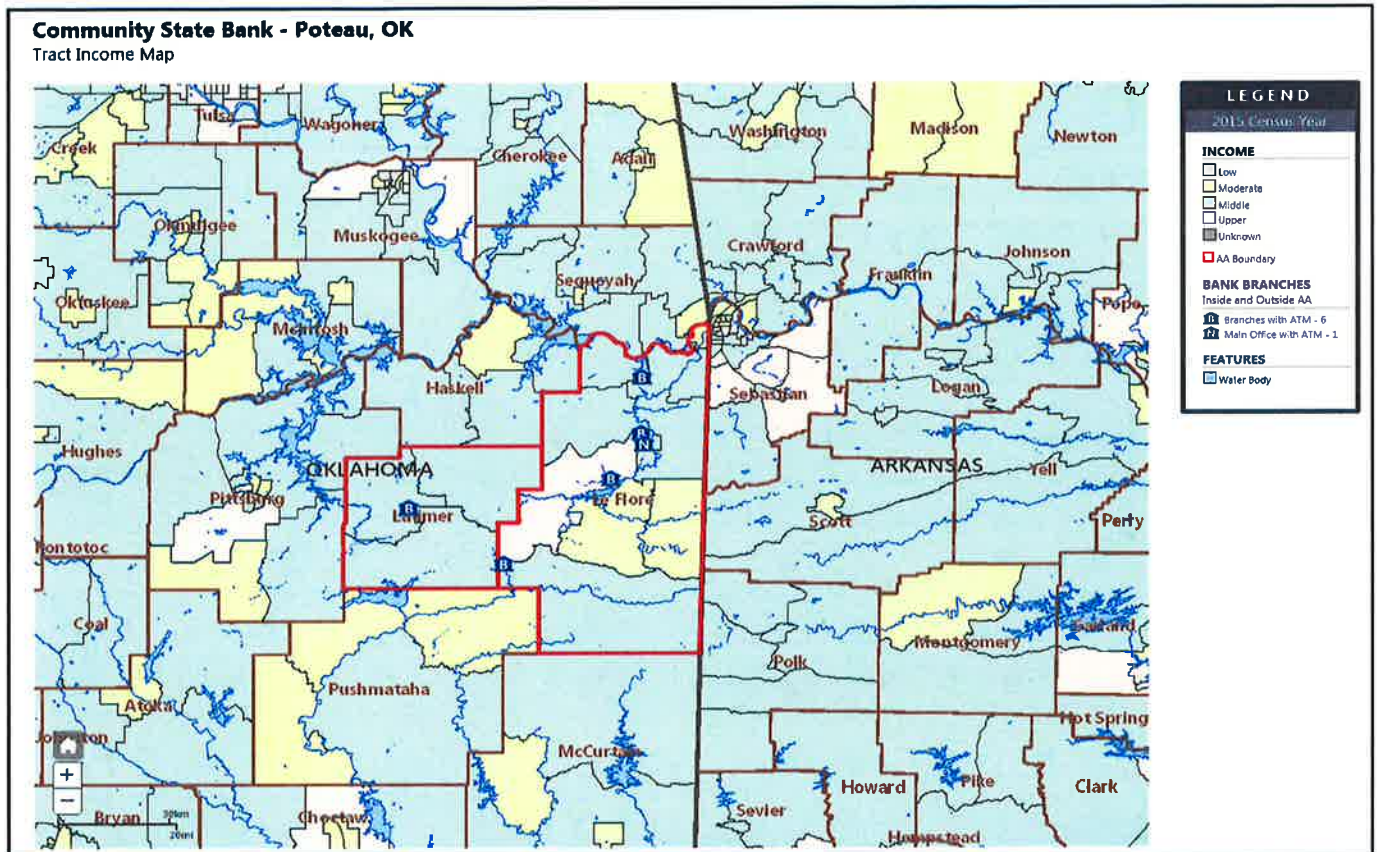
Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank's lending to small farms with revenues of \$1MM or less, at 100.0 percent by number and dollar, is comparable to the percentage of small farms in the AA. Additionally, all of the small farm loans in the AA were for amounts of \$250,000 or less, indicating the bank's willingness to meet the credit needs of small farms.

**TABLE 20
 DISTRIBUTION OF 2018 SMALL FARM LOANS
 BY REVENUE SIZE OF FARMS
 LATIMER COUNTY AA**

	Bank Loans				Total Farms
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	14	766	100.0	100.0	100.0
Over \$1 Million	0	0	0.0	0.0	0.0
Not Known	0	0	0.0	0.0	0.0
Total	14	766	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	11	269	78.6	35.1	
\$100,001 – \$250,000	3	497	21.4	64.9	
\$250,001 – \$500,000	0	0	0.0	0.0	
Total	14	766	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	11	269	78.6	35.1	
\$100,001 – \$250,000	3	497	21.4	64.9	
\$250,001 – \$500,000	0	0	0.0	0.0	
Total	14	766	100.0	100.0	
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS. NOTE: Percentages may not add up to 100.0 due to rounding.					

APPENDIX A – Map of the Assessment Area



APPENDIX B – Demographic Information

**TABLE B-1
2018 AA DEMOGRAPHICS
LE FLORE COUNTY METROPOLITAN AA**

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	2,954	23.4
Moderate	3	25.0	2,660	21.1	586	22.0	2,214	17.6
Middle	8	66.7	8,531	67.7	1,452	17.0	2,530	20.1
Upper	1	8.3	1,410	11.2	145	10.3	4,903	38.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	12	100.0	12,601	100.0	2,183	17.3	12,601	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	4,538	2,638	19.8	58.1	1,122	24.7	778	17.1
Middle	14,880	9,136	68.6	61.4	3,387	22.8	2,357	15.8
Upper	2,234	1,548	11.6	69.3	333	14.9	353	15.8
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	21,652	13,322	100.0	61.5	4,842	22.4	3,488	16.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	204	14.8	173	14.0	15	15.0	16	34.8
Middle	1,016	73.7	922	74.8	74	74.0	20	43.5
Upper	159	11.5	138	11.2	11	11.0	10	21.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,379	100.0	1,233	100.0	100	100.0	46	100.0
Percentage of Total Businesses:			89.4		7.3		3.3	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	16	19.0	16	19.5	0	0.0	0	0.0
Middle	59	70.2	57	69.5	1	100.0	1	100.0
Upper	9	10.7	9	11.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	84	100.0	82	100.0	1	100.0	1	100.0
Percentage of Total Farms:			97.6		1.2		1.2	

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS.
NOTE: Percentages may not add up to 100.0 due to rounding.

**TABLE B-2
 2018 AA DEMOGRAPHICS
 LATIMER COUNTY AA**

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	692	23.6
Moderate	0	0.0	0	0.0	0	0.0	509	17.4
Middle	3	100.0	2,930	100.0	442	15.1	533	18.2
Upper	0	0.0	0	0.0	0	0.0	1,196	40.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3	100.0	2,930	100.0	442	15.1	2,930	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	4,986	2,833	100.0	56.8	1,302	26.1	851	17.1
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	4,986	2,833	100.0	56.8	1,302	26.1	851	17.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	327	100.0	277	100.0	35	100.0	15	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	327	100.0	277	100.0	35	100.0	15	100.0
Percentage of Total Businesses:				84.7		10.7		4.6
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	24	100.0	24	100.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	24	100.0	24	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS.
 NOTE: Percentages may not add up to 100.0 due to rounding.

APPENDIX C – Glossary

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 metropolitan area/assessment area.

Census tract: 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 statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and 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: All Agencies have adopted the following language. 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 nonrelatives 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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate 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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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.

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