



PUBLIC DISCLOSURE

MARCH 5, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**THE F&M BANK AND TRUST COMPANY
RSSD# 405959**

**1330 SOUTH HARVARD
TULSA, OKLAHOMA 74112**

**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 RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: *The F&M Bank and Trust Company (F&M) is rated "Satisfactory".*

The following table indicates the performance level of F&M Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily in determining the overall rating.

Major factors supporting the rating include:

- A high percentage of the bank's loans originated within designated assessment areas (AAs);
- A reasonable geographic dispersion of home mortgage and small business loans;
- An adequate distribution of loans to individuals of different income levels and businesses of different revenue sizes;
- A reasonable volume of community development lending including a significant increase since the previous examination;
- A significant level of qualified community development investments; and,
- A reasonable amount of community development services in designated AAs; moreover, the bank's branches, products, services, and delivery systems are reasonably accessible within F&M's AAs.

DESCRIPTION OF INSTITUTION

F&M is a full-service, multistate financial institution offering a variety of banking products and services. The bank's business focus is extending commercial credit to small- and medium-sized companies. F&M has grown approximately 35.0 percent since the previous examination. This growth is largely organic, particularly in the bank's Dallas, Texas market. Although the bank has not entered any new markets since the previous examination, management has focused on growing its Dallas footprint, particularly in the health care and energy sectors.

F&M offers a full range of products and services at each of its locations. In addition to its focus on commercial lending, the bank is active in the residential real estate market. F&M also offers trust services; international services, including foreign exchange; collections through its affiliates; and securities brokering, investment advising, public finance, and treasury services. The bank reported assets of \$2.0 billion as of December 31, 2011.

F&M is headquartered in Tulsa, Oklahoma, and is a wholly-owned subsidiary of F&M Bancorporation, a one-bank shell holding company owned by One Rich Hill Mining, L.L.C, of Fort Worth, Texas. The bank operates nine offices in the Tulsa, Oklahoma Metropolitan Statistical Area (MSA), one office in the Dallas-Fort Worth, Texas MSA, and a loan production office in the Oklahoma City, Oklahoma MSA. Drive-through banking services are offered at eight of the nine Tulsa branches. The bank also provides full-service automated teller machines (ATMs) at five Tulsa branches, and operates three cash-dispensing only ATMs in Tulsa hospitals. The Texas facility does not offer drive-through or ATM services. F&M was rated "Satisfactory" at its previous CRA examination conducted by the Federal Reserve Bank of Kansas City on January 19, 2010.

Table 1 illustrates the bank's loan portfolio and reiterates the bank's primary focus on commercial lending. Residential real estate lending is the bank's secondary focus; however, its representation in Table 1, at 9.7 percent, is understated because F&M sells the majority of its residential real estate loans to secondary market investors.

TABLE 1 LOAN PORTFOLIO DECEMBER 31, 2011		
Loan Type	Amount\$(000s)	Percent of Total
Commercial	1,285,388	86.1
Residential Real Estate	145,336	9.7
Consumer	22,233	1.5
Agricultural	2,058	0.1
Other	38,890	2.6
Total Loans	1,493,905	100.0

F&M grew considerably since its 2010 CRA examination. Bank management attributed the growth to increased loan demand by energy and health care companies in Dallas. Businesses in these sectors usually have gross annual revenues well in excess of \$1 million. In fact, while the bank experienced robust loan growth overall, the number of residential real estate and small business loans considered for this examination decreased 23.0 percent and 40.0 percent, respectively. To put these numbers in context, the total number of small business loans in Tulsa and Dallas from all banks that report CRA data decreased 60.0 percent over the same time frame.

SCOPE OF EXAMINATION

F&M's CRA performance was reviewed using the lending, investment, and service tests as defined under the Federal Financial Institutions Examination Council's Interagency CRA Procedures for Large Institutions. F&M's performance under these tests was compared to demographic data and aggregate performance of other banks operating in its AAs. The examination considered loans, investments, and services originated, made, and provided between January 1, 2010 and December 31, 2011.

F&M's performance under the lending test was evaluated by comparing residential real estate loans reported on its HMDA Loan/Application Register (LAR) against the percentages of low- and moderate-income (LMI) borrowers residing inside its designated AAs. The lending test also included an analysis of F&M's small business loans reported on its CRA LAR against the percentage of small businesses located inside its AAs. Moreover, the data reported on F&M's HMDA and CRA LARs was utilized to evaluate the bank's ability to reach all portions of its designated markets. Lastly, the lending test considered the bank's origination of qualified community development (CD) loans against the demand for and supply of such loans in each AA. F&M's small business lending received more weight because it is the bank's predominant credit product.

F&M's performance under the investment and service tests was evaluated based on the number of qualified CD investments and services provided, given the demand for such investments and services. The examination considered the innovativeness and complexity of F&M's CD investments and services in addition to their respective number and dollar volumes.

Demographic information used to evaluate the bank's CRA performance primarily consisted of data from the 2000 Census, as well as income figures from the U.S. Department of Housing and Urban Development and Dunn & Bradstreet (D&B) data. Interviews with members of the communities within the bank's AAs were conducted during the examination to ascertain the credit needs of the communities, the responsiveness of area banks to those credit needs, the availability of community development opportunities, and local economic conditions. Additional community contacts conducted within the bank's AAs during the previous year are also referenced. Lastly, F&M's HMDA and small business lending were compared to 2010 aggregate lending data submitted by all banks in Tulsa and Dallas that reported such information, for contextual purposes.

Under the CRA, a financial institution's performance is evaluated within the context of each delineated AA and within each state in which it operates. Each MSA and state is assigned separate ratings, and an overall rating is assigned for the bank. F&M's performance in its Tulsa market received significantly more weight in its overall rating because the majority of its banking activity occurred in this market. For example, 92.0 percent of F&M's total deposits came from the Tulsa MSA AA as of June 30, 2011, with the remaining 8.0 percent from Dallas MSA AA depositors. Moreover, 98.0 percent of the home mortgage loans and 91.0 percent of the small business loans reviewed were originated in the Tulsa market. There are no legal or

financial constraints that impede the bank's ability to help meet the credit needs in its AAs. Table 2 summarizes the loans reviewed for this examination.

Loan Type	#	%	\$(000s)	%
Conventional Home Purchase	424	50.4 (b)	88,795	57.6 (b)
Federal Housing Administration (FHA) Home Purchase	358	42.6 (b)	54,394	35.3 (b)
Veterans Administration (VA) Home Purchase	59	7.0 (b)	10,977	7.1 (b)
Total Home Purchase	841	62.6 (a)	154,166	60.9 (a)
Refinancing	457	34.0 (a)	93,289	36.9 (a)
Home Improvement	41	3.1 (a)	1,578	0.6 (a)
Multifamily Housing	4	0.3 (a)	3,947	1.6 (a)
Total HMDA LAR Loans	1,343	54.4 (c)	252,980	49.1 (c)
Total CRA LAR Business Loans	1,124	45.6 (c)	262,186	50.9 (c)
TOTAL LOANS	2,467		515,166	

(a) Percent of Total HMDA Loans; (b) Percent of Total Home Purchase Loans; (c) Percent of Total Loans

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's overall rating was based on its performance in each individual AA. F&M's record in the Tulsa MSA AA had more influence on the overall rating because it was its primary market during the evaluation period. This performance evaluation first discusses F&M's overall performance followed by detailed discussions of the bank's record in each specific AA.

LENDING TEST

F&M's overall record of meeting its AAs' credit needs through its lending activities is rated "low satisfactory." The borrower distribution analysis reflected low but adequate performance in the Tulsa and Dallas MSA AAs. F&M's geographic distribution was reasonable in the Tulsa and Dallas MSA AAs. Lastly, F&M originated a good volume of community development lending, which increased 60.0 percent since its prior CRA examination. The level of community development lending materially enhanced the bank's overall lending performance rating.

F&M's responsiveness to AAs' credit needs is adequate based on a review of loan products, as well as the bank's residential real estate and small business lending activities. The bank offered some flexible loan products including Federal Housing Administration (FHA) and Veterans Administration loans. F&M also participates in the Treasury Department's Small

Business Lending Fund that encourages lending to small businesses. However, the use of innovative lending programs was minimal.

As illustrated in Table 2, F&M reported 358 FHA loans on its 2010 and 2011 HMDA LARs, which comprised nearly 27.0 percent of its entire HMDA data and nearly 43.0 percent of the bank's home purchase loans. The average FHA loan amount was approximately \$152,000.

Assessment Area Concentration:

As demonstrated in Table 3, the bank originated a high percentage of its loans within its delineated AAs. Only loans within the bank's AAs are considered for the remaining lending test components discussed in this performance evaluation. Furthermore, the remaining analyses and tables focus primarily on the number of originations as opposed to dollar volume. This better represents the number of affected applicants.

Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	791	94.1	142,195	92.2	50	5.9	11,971	7.8
Home Refinance	424	92.8	84,699	90.8	33	7.2	8,590	9.2
Home Improvement	41	100.0	1,578	100.0	0	0.0	0	0.0
Multifamily Housing	3	75.0	1,594	40.4	1	25.0	2,353	59.6
Total HMDA Loans	1,259	93.7	230,066	90.9	84	6.3	22,914	9.1
Total Business Loans	982	87.4	214,241	81.7	142	12.6	47,945	18.3
TOTAL LOANS	2,241	90.8	444,307	86.3	226	9.2	70,859	13.7

Geographic and Borrower Distribution:

F&M's overall geographic distribution of residential real estate and small business loans is reasonable. The bank's residential real estate lending to LMI tracts is below both demographic and aggregate figures; however, its small business lending to LMI areas exceeded both demographic data and aggregate lending. Refer to the individual AA discussion for details.

The bank's overall lending to borrowers of different income levels and businesses of different revenue sizes is low. The bank's lending performance to small businesses, defined for CRA purposes as those with gross revenues less than \$1 million, is below both demographic and aggregate figures. Moreover, the bank's record of originating home loans to LMI individuals also lags both demographic data and aggregate lending.

Several economic factors support F&M's relatively low performance in the borrower and geographic distribution. First, the economic recession has hampered both business sales and the housing sector. Loan demand by households and small businesses reached historical lows during the examination period. A 2011 study by the National Federation of Independent

Business concluded that the primary reason businesses struggled to obtain credit was poor and weak sales, rather than banks' unwillingness to extend commercial credit.

CD Lending:

Overall, F&M's volume of CD lending is considered good and significantly bolstered its lending test rating. Although the bank's CD loans were not considered complex or innovative, the examination acknowledged the institution's increased efforts in this area. F&M's CD loans increased approximately 60.0 percent since its prior examination. As shown in Table 4, the majority of F&M's CD loans helped revitalize and stabilize LMI neighborhoods.

Purpose	#	\$(000s)
Affordable Housing	2	1,676
Revitalization and Stabilization	7	52,419
TOTAL LOANS	9	54,095

CD INVESTMENT TEST

F&M's overall rating under the CD investment test is "high satisfactory." The bank made \$8.1 million in CD investments and donations since the prior examination. Moreover, \$2.7 million in CD investments provided before the previous examination remained on the bank's books. F&M's \$10.2 million in investments, grants, and donations significantly exceeded the \$6.1 million at the prior CRA examination.

Nearly 58 percent of the new CD investments were deposits made to various Community Development Financial Institutions (CDFI) and Minority and Women Owned Financial Institutions (MWFIs) through the bank's participation in the Certificate of Deposit Account Registry Service (CDARs). CDARs is a network that enables large deposits to be fully insured by the Federal Deposit Insurance Corporation (FDIC) by exchanging deposits that exceed the FDIC's insurance limit with other participating institutions. The examination identified approximately 20 CDFIs and MWFIs that received F&M deposits via CDARs exchange. While F&M's participation in CDARs helped increase funds available to CDFIs and MWFIs to help meet the credit needs of those institutions' communities, the examination considered F&M's role in the exchange to be passive.

F&M also made CD investments in mortgage-backed securities that provided affordable housing to LMI borrowers and home ownership opportunities in LMI areas. The bank extended over \$155,000 in CD donations, primarily directed at organizations providing community services targeted to LMI individuals. The bank's equity investments generally reflected good responsiveness to credit and community development needs throughout the

bank's AAs. However, F&M's use of innovative or complex investments is limited. Table 5 tallies F&M's CD investments.

TABLE 5 COMMUNITY DEVELOPMENT INVESTMENTS ALL AAs				
Purpose	Debt/Equity Investments		Grants/Donations	
	#	\$(000s)	#	\$(000s)
Affordable Housing	7	4,067	0	0
Revitalization and Stabilization	4	6,576	1	5
Community Services	0	0	31	145
Economic Development	0	0	3	5
Totals	11	10,643	35	155

Service Test

The bank's overall rating under the service test is "low satisfactory" and remains unchanged from the previous evaluation. F&M's banking offices are accessible to generally all portions of its AAs, including LMI geographies. Business hours and product offerings do not vary by tract. F&M closed one location in Dallas and has not opened any offices since the previous evaluation and its sole Dallas location is in an office building with no drive-through service. The bank has nine offices in Tulsa MSA AA, with four in middle-income tracts and five in upper-income tracts. Eight of the nine locations in the Tulsa MSA AA offer drive-through banking services, while five of the nine locations offer full-service ATMs. In addition, the bank provides three cash dispensing ATMs in Tulsa area hospitals. The bank offers convenient hours of operation including regular lobby hours from 9:00 a.m. to 5:00 p.m. Monday through Friday, and Saturdays until 12:00 p.m., as well as telephone and online banking to all customers.

A substantial majority of the CD services provided during the review period were for community services targeted to LMI individuals. Examples of services included providing financial expertise through board, advisory, or audit committee's participation and providing financial educational sessions for school children. Table 6 depicts CD services by type.

TABLE 6 COMMUNITY DEVELOPMENT SERVICES ALL AAs	
Purpose	#
Community Services	28
Economic Development	3
TOTALS	31

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 (ECOA) and the Fair Housing Act. No signs of discrimination were identified. Furthermore, the bank has not engaged in any other illegal credit practices inconsistent with helping to meet community credit needs.

STATE OF OKLAHOMA

CRA RATING FOR OKLAHOMA:	<i>“Satisfactory”</i>
<i>The lending test is rated:</i>	<i>“Low Satisfactory”</i>
<i>The investment test is rated:</i>	<i>“High Satisfactory”</i>
<i>The service test is rated:</i>	<i>“Low Satisfactory”</i>

Major factors supporting the rating include:

- An adequate responsiveness to AA’s credit needs;
- An adequate dispersion of small business loans and HMDA-related loans in the AA;
- An adequate distribution of loans among businesses of different revenue sizes and to borrowers of different income levels;
- An adequate level of CD loans;
- A good level of qualified investments and donations;
- Accessible delivery systems, hours, and locations that do not vary by geography; and,
- An adequate level of community development services.

SCOPE OF EXAMINATION

The scope of the examination for the state of Oklahoma was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. A full scope review was conducted for the Tulsa MSA AA, the only designated AA in the state. The statewide performance is discussed concurrently with the bank.

DESCRIPTION OF OPERATIONS IN THE TULSA MSA AA

The Tulsa MSA is F&M’s primary banking market with over 90.0 percent of its deposits, as well as 90.0 percent of loans evaluated in this review.

DESCRIPTION OF ASSESSMENT AREA

The Tulsa MSA economy continues to be depressed; however, a robust energy sector and a stable service industry insulated the local economy from the brunt of the national economic recession. The statewide energy boom ensures broad demand for products and services from Tulsa MSA businesses. Despite the return of high-wage manufacturing jobs, a full economic recovery is being hampered by slow hiring in the service sector as well as government layoffs at both the federal and state levels. Tulsa MSA housing largely avoided the real estate bubble and subsequent burst prevalent in many other parts of the country; however, foreclosures have occurred more frequently in Tulsa than other areas of Oklahoma.

Population and Income Characteristics

Tulsa is a mid-sized city located in northeastern Oklahoma and is the second largest metropolitan area in the state. The Tulsa MSA AA population was 859,532 at the 2000 Census and was estimated to have grown 9.1 percent by 2010. The majority of the population growth occurred in Rogers, Tulsa, and Wagoner Counties, which are located in the central and eastern portions of the Tulsa MSA. Tulsa MSA AA population demographics, such as the concentration of families and age distribution, were similar to statewide demographics.

In 2000, the Tulsa MSA AA's median family income was \$45,678, which equaled 112.2 percent of the \$40,109 state figure. The AA's concentration of low-, moderate-, middle-, and upper-income families and families living in poverty did not differ significantly from the statewide figures.

Economic and Banking Conditions

Although well known for its oil and gas industry, the Tulsa MSA's economy is well diversified. The largest sectors are education and health services, which represent approximately 15.0 percent of total employment in the area. Government and professional services account for another 13.7 percent and 13.6 percent of area employment, respectively. The largest employer in the Tulsa MSA is American Airlines, with nearly 7,000 employees. Other large employers include AT&T, Bank of Oklahoma, and Blue Cross and Blue Shield. Although the Tulsa MSA's unemployment rate was elevated throughout most of the examination period, it began decreasing in 2011. Area manufacturing payrolls, which increased nine times faster than the national rate in 2011, significantly contributed to the unemployment rate's decline. Tulsa MSA manufacturing has experienced a substantial turnaround since 2009, when this sector accounted for three out of every four lost jobs in the area. As Table 7 illustrates, the Tulsa MSA's unemployment rate continues to be lower than the national average.

Area	2009	2010	11Q3
Tulsa MSA	7.1	7.9	6.3
State of Oklahoma	6.6	7.1	5.7
U.S.	9.3	9.6	9.1

Downtown Tulsa is experiencing one of its largest redevelopment booms in decades. Nearly \$400 million has been invested on the northern edge of downtown to attract businesses and residents. New amenities include additional housing units, retail establishments, and other businesses.

The market for financial services in the Tulsa MSA is competitive; however, F&M has a significant share of the market. According to FDIC Market Share information as of June 30, 2011, F&M had 7.0 percent of the deposit market in the Tulsa MSA. The bank's deposit market share ranked third among 63 FDIC-insured depository institutions operating in the

Tulsa MSA AA. Community contacts stated that the credit needs of worthy borrowers are being met in the Tulsa MSA AA, and that the major credit needs of the community are residential real estate, consumer, and commercial lending.

Housing Conditions

Tulsa MSA's housing characteristics are similar to overall statewide figures. Housing in the Tulsa MSA is affordable relative to other cities; however, it is slightly less affordable than Oklahoma as a whole. In 2000, the Tulsa MSA's housing affordability ratio¹ equaled 47.0 percent, compared to the Oklahoma statewide ratio of 49.3 percent.

LMI Tract Characteristics

All of the low-income tracts in the Tulsa MSA are concentrated in Tulsa County; however, moderate-income tracts are dispersed throughout the MSA. Several demographic factors challenge banks' abilities to lend to low-income tracts. For example, low-income tracts contain fewer than 2.0 percent of the MSA's families, housing units, and businesses. The ability of financial institutions to originate residential real estate credit in low-income tracts is also challenged by the nature of the housing stock in these tracts; approximately 57.0 percent of the housing units are rental.

Table 8 shows income, housing, and general demographic characteristics of the Tulsa MSA AA.

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

**TABLE 8
TULSA MSA AA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	2.7	3,612	1.6	1,483	41.1	46,267	19.9
Moderate-income	67	25.4	53,078	22.9	9,047	17.0	42,578	18.4
Middle-income	111	42.0	108,176	46.5	8,280	7.7	50,189	21.6
Upper-income	79	29.9	67,361	29.0	2,025	3.0	93,193	40.1
Total AA	264	100.0	232,227	100.0	20,835	9.0	232,227	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
	#	#	%	%	#	%	#	%
Low-income	7,013	2,093	0.9	29.8	3,968	56.6	952	13.6
Moderate-income	92,696	47,351	20.8	51.1	35,185	38.0	10,160	11.0
Middle-income	169,185	107,778	47.5	63.7	48,683	28.8	12,724	7.5
Upper-income	97,301	70,101	30.8	72.0	22,056	22.7	5,144	5.3
Total AA	366,195	227,323	100.0	62.1	109,892	30.0	28,980	7.9
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	478	1.2	399	1.1	45	1.6	34	1.5
Moderate-income	9,810	23.6	8,274	22.6	861	31.3	675	29.7
Middle-income	17,340	41.7	15,414	42.2	1,052	38.2	874	38.4
Upper-income	13,934	33.5	12,448	34.1	795	28.9	691	30.4
Total AA	41,562	100.0	36,535	100.0	2,753	100.0	2,274	100.0
	Percent of Total Businesses:			87.9		6.6		5.5

Based on 2000 Census data, 2004 MSA designations, and 2010 D&B business demographic data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE TULSA MSA AA

LENDING TEST SUMMARY

The bank's performance under the lending test in the Tulsa MSA AA is rated "low satisfactory." Overall, F&M's responsiveness to Tulsa MSA AA credit needs is adequate based on the volume of its residential real estate and small business lending activity. The bank has an adequate record of lending to all areas of the Tulsa MSA; however, its lending to LMI borrowers and small businesses is low. F&M's level of CD lending in the Tulsa MSA AA is good and enhanced the bank's overall lending performance rating.

**TABLE 9
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT
HMDA LOANS TULSA MSA AA**

Tract Income Level ¹	2010 Bank Loans				2011 Bank Loans				Aggregate HMDA Data ²	
	#	%	\$(000)	%	#	%	\$(000)	%	#%	\$%
Home Purchase Loans										
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.3	0.2
Moderate	19	4.2	1,824	2.2	10	3.1	684	1.2	9.8	5.4
Middle	139	30.8	19,892	24.5	87	27.1	10,148	17.7	41.5	35.0
Upper	293	65.0	59,617	73.3	224	69.8	46,539	81.1	48.4	59.4
Total	451	100.0	81,333	100.0	321	100.0	57,371	100.0	100.0	100.0
Home Refinance Loans										
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.2	0.1
Moderate	4	1.5	305	0.6	5	3.4	499	1.7	7.2	4.4
Middle	62	22.7	11,127	21.1	40	27.4	5,792	19.2	36.4	29.9
Upper	207	75.8	41,357	78.3	101	69.2	23,865	79.1	56.2	65.6
Total	273	100.0	52,789	100.0	146	100.0	30,156	100.0	100.0	100.0
Home Improvement Loans										
Low	2	10.5	37	12.1	1	5.0	5	0.6	0.7	0.4
Moderate	4	21.1	19	6.2	5	25.0	17	2.1	20.3	12.9
Middle	7	36.8	45	14.8	4	20.0	109	13.7	44.2	36.6
Upper	6	31.6	204	66.9	10	50.0	667	83.6	34.8	50.1
Total	19	100.0	305	100.0	20	100.0	798	100.0	100.0	100.0
Multi-Family										
Low	0	0.0	0	0.0	0	0.0	0	0.0	1.5	0.2
Moderate	2	100.0	1,018	2.0	0	0.0	0	0.0	47.7	20.2
Middle	0	0.0	0	0.0	1	100.0	576	100.0	41.5	30.5
Upper	0	0.0	0	0.0	0	0.0	0	0.0	9.3	49.1
Total	2	100.0	1,018	100.0	1	100.0	576	100.0	100.0	100.0
Total Home Mortgage Loans										
Low	2	0.3	37	0.0	1	0.2	5	0.0	0.3	0.1
Moderate	29	3.9	3,166	2.3	20	4.1	1,200	1.3	9.1	5.3
Middle	208	27.9	31,064	22.9	132	27.0	16,625	18.7	39.0	32.3
Upper	506	67.9	101,178	74.8	335	68.7	71,071	79.9	51.6	62.3
Total	745	100.0	135,445	100.0	488	100.0	88,901	100.0	100.0	100.0
Percentage of Owner – Occupied Housing by Tract Level³										
	Low		Moderate		Middle		Upper			
	0.9		20.8		47.5		30.8			
1. Low-income census tracts are those geographies with median family incomes (MFI) less than 50% of the MSA or statewide nonMSA MFI based on 2000 census data; moderate-income equals 50% - 80%; middle-income is 80% - 120%; and upper-income is greater than 120%. 2. All HMDA originations in the Tulsa MSA AA reported by all HMDA filers. 3. Based on 2000 Census Data.										

Business Loans

F&M's business lending to LMI tracts is good. The bank's business lending performance for 2010 and 2011 generally exceeded both demographic and aggregate figures. As illustrated in Table 10, 2.4 percent of F&M's small business loans were originated in low-income tracts in 2011, which contained only 1.2 percent of Tulsa MSA AA businesses. Moreover, approximately 28.9 percent of F&M's small business loans were originated in moderate-

income tracts in 2011, which contained only 23.6 percent of Tulsa MSA AA businesses. F&M's small business lending to LMI tracts also exceeded aggregate figures, at 0.7 percent to low-income tracts and 18.0 percent to moderate-income tracts.

TABLE 10 DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT CRA LOANS TULSA MSA AA										
Tract Income Level ¹	2010 Bank Loans				2011 Bank Loans				Aggregate CRA Data ²	
	#	%	\$(000)	%	#	%	\$(000)	%	# %	\$ %
Low	6	1.3	1,052	1.1	10	2.4	2,367	2.5	0.7	0.6
Moderate	101	21.4	24,315	26.3	121	28.9	31,651	33.9	18.0	23.1
Middle	148	31.4	28,988	31.4	121	28.9	28,001	30.0	35.8	34.8
Upper	217	46.0	38,064	41.2	167	39.9	31,405	33.6	42.4	40.8
Total	472	100.0	92,419	100.0	419	100.0	93,424	100.0	96.9	99.3
Percentage of Businesses by Tract Level ³	Low				Moderate		Middle		Upper	
	1.2				23.6		41.7		33.5	
1. Low-income census tracts are those geographies with median family incomes (MFI) less than 50% of the MSA or statewide nonMSA MFI based on 2000 census data; moderate-income equals 50% - 80%; middle-income is 80% - 120%; and upper-income is greater than 120%. 2. All CRA originations in the Tulsa MSA AA reported by all CRA filers. By number volume, 3.1 percent of aggregate loans were made to tracts of unknown income levels. By dollar volume, 0.7 percent of aggregate loans were made to tracts of unknown income levels.										

Distribution by Borrower Income and Revenue Size of the Business:

The bank's record of lending to LMI borrowers and small businesses in the Tulsa MSA AA is low. Tables 11 and 12 detail F&M's lending by specific product.

HMDA-Related Loans

As illustrated in Table 11, the bank's record of lending to LMI families was well below both demographic and aggregate levels. Approximately 3.2 percent of F&M's total HMDA-related loans were made to low-income families, who represent 20.0 percent of all families in the Tulsa MSA AA. F&M's level of lending to low-income borrowers also lagged aggregate performance; 7.8 percent of all HMDA loans in the Tulsa MSA AA went to low-income borrowers in 2010. Although also lower, F&M's lending to moderate-income borrowers was much closer to area demographics and peer performance. As discussed previously, LMI borrowers are more likely to need, and be able to afford, home improvement loans. Table 11 demonstrates F&M's record of extending home improvement loans to LMI borrowers exceeded both AA demographics and peer performance.

**TABLE 11
BORROWER DISTRIBUTION
HMDA LOANS TULSA MSA AA**

Borrower Income Level	2010 Bank Loans				2011 Bank Loans				Aggregate HMDA Data ¹	
	#	%	\$(000)	%	#	%	\$(000)	%	#	\$
Home Purchase Loans										
Low	16	3.5	1,395	1.7	12	3.7	1,093	1.9	10.6	5.9
Moderate	86	19.1	10,320	12.7	60	18.7	6,701	11.7	25.8	19.6
Middle	124	27.5	18,131	22.3	80	24.9	11,435	19.9	23.4	22.7
Upper	221	49.0	49,418	60.8	154	48.0	36,045	62.8	33.2	45.7
Unknown	4	0.9	2,069	2.5	15	4.7	2,097	3.7	7.0	6.1
Total	451	100.0	81,333	100.0	321	100.0	57,371	100.0	100.0	100.0
Home Refinance Loans										
Low	6	2.2	535	1.0	1	0.7	83	0.3	5.1	2.5
Moderate	27	9.9	2,800	5.3	14	9.6	1,504	5.0	14.8	9.6
Middle	50	18.3	6,807	12.9	24	16.4	2,807	9.3	21.9	17.6
Upper	180	65.9	40,503	76.7	98	67.1	24,726	82.0	47.0	58.4
Unknown	10	3.7	2,144	4.1	9	6.2	1,036	3.4	11.2	11.9
Total	273	100.0	52,789	100.0	146	100.0	30,156	100.0	100.0	100.0
Home Improvement Loans										
Low	1	5.3	18	5.9	4	20.0	13	1.6	11.9	5.2
Moderate	7	36.8	42	13.8	5	25.0	43	5.4	18.1	11.5
Middle	4	21.1	62	20.3	2	10.0	9	1.1	25.0	21.5
Upper	5	26.3	114	37.4	6	30.0	453	56.8	39.6	54.5
Unknown	2	10.5	69	22.6	3	15.0	280	35.1	5.4	7.3
Total	19	100.0	305	100.0	20	100.0	798	100.0	100.0	100.0
Multi-Family										
Low	0	0.0	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	0	0.0
Middle	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	2	100.0	1,018	100.0	1	100.0	576	100.0	100.0	100.0
Total	2	100.0	1,018	100.0	1	100.0	576	100.0	100.0	100.0
Total Home Mortgage Loans										
Low	23	3.1	1,948	1.4	17	3.5	1,189	1.3	7.8	3.9
Moderate	120	16.1	13,162	9.7	79	16.2	8,248	9.3	19.6	13.6
Middle	178	23.9	25,000	18.5	106	21.7	14,251	16.0	22.7	19.4
Upper	406	54.5	90,035	66.5	258	52.9	61,224	68.9	40.7	51.8
Unknown	18	2.4	5,300	3.9	28	5.7	3,989	4.5	9.2	11.3
Total	745	100.0	135,445	100.0	488	100.0	88,901	100.0	100.0	100.0
Percentage of AA Families by Income Level ²		Low			Moderate		Middle		Upper	
		19.9			18.3		21.6		40.1	

1. All HMDA originations in the Tulsa MSA AA reported by all HMDA filers.
2. Based on 2000 Census Data.

Small Business Loans

F&M's record of lending to small businesses in the Tulsa MSA AA is also low. According to Table 12, the bank's dispersion of loans to businesses with gross annual revenues of \$1 million or less was 32.0 percent in 2010 and 35.6 percent in 2011. Although this

percentage was markedly below the AA demographic comparable of 87.9 percent of small businesses reporting revenue data, the bank's performance was closer to the 37.0 percent of loans to small businesses provided by aggregate lenders. The aggregate lending data provides a better comparison because not all businesses have a need for traditional bank loans. Moreover, the bank has formed a Small Business Lending Group, focused on developing loan and deposit relationships with small business customers.

TABLE 12 DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT CRA LOANS TULSA MSA AA										
Business Revenue Size	2010 Bank Loans				2011 Bank Loans				Aggregate CRA Data	
	#	%	\$(000)	%	#	%	\$(000)	%	# %	\$ %
Small Businesses	151	32.0	20,085	21.7	149	35.6	21,310	22.8	37.0	38.9
Large Businesses	200	42.4	52,060	56.4	203	48.4	60,580	64.8	63.0	61.1
Unknown Revenue	121	25.6	20,274	21.9	67	16.0	11,534	12.4	NA	NA
Total	472	100.0	92,419	100.0	419	100.0	93,424	100.0	100.0	100.0
Percentage of Businesses			Small		Large		Unknown			
			87.9		6.6		5.5			

Community Development Loans:

F&M originated an adequate volume of qualified CD loans in the Tulsa MSA AA. The bank extended five qualified loans in the Tulsa MSA AA for \$34.7 million, which represented a \$2 million increase since the prior evaluation. F&M made four CD loans to revitalize and stabilize LMI tracts, including a \$30 million loan to expand and remodel the University of Tulsa campus. The university is part of the Tulsa Urban Development Plan's Kendall-Whittier Urban Renewal Plan. The bank also made one loan of \$1.4 million to promote affordable housing. Although the loans were not complex or innovative, they bolstered the bank's lending test performance as they augmented weaker areas of the bank's lending record.

INVESTMENT TEST

F&M had an adequate level of qualified CD investments and donations in the Tulsa MSA AA and its performance is rated "high satisfactory." Investments in the area totaled \$1.5 million and included five investments in bonds. Although the bank's CD investments were generally responsive to community needs, the investments were not particularly innovative or complex.

Four of the qualified investments were from the prior period and consisted of one investment of \$934,000 for affordable housing and three investments for a total of \$315,000 to revitalize and stabilize LMI areas. F&M made one new qualified investment since the previous evaluation of nearly \$500,000 for affordable housing. The affordable housing investments consisted of the Tulsa Housing Assistance Corporation to provide permanent financing for a housing project for

low-income individuals and one Fannie Mae loan pool comprised of mortgages to LMI individuals or geographies in the Tulsa MSA AA. The revitalization investments were made to the Chelsea Economic Development Authority to construct a new firehouse in a Tulsa MSA AA moderate-income geography and to the Osage Hills Elementary School District bond where a majority of its students participate in the federal government's free or reduced school lunch program.

The bank also made 27 CD donations for a total of \$132,000. The donations were primarily geared towards community services targeted to LMI individuals. Moreover, F&M made two donations to an organization promoting economic development.

SERVICE TEST

The bank's performance under the service test for the Tulsa MSA AA was rated "low satisfactory" based on the accessibility of delivery systems and the adequate level of qualified community development services.

Retail Services:

As discussed in the overall service test section, F&M's retail services are accessible to all areas and residents of the Tulsa MSA AA and do not vary by geography.

Community Development Services:

The bank's management and staff provided an adequate level of community development services in the Tulsa MSA AA. F&M provided 25 services to 14 organizations in the area with a majority directed towards community service organizations targeting LMI individuals. F&M employees provided financial expertise to different organizations, such as the Tulsa Economic Development Corporation and Tulsa Habitat for Humanity. They also taught financial literacy skills at elementary schools in LMI areas.

STATE OF TEXAS

CRA RATING FOR TEXAS:	<u>"Satisfactory"</u>
<i>The lending test is rated:</i>	<i>"Low Satisfactory"</i>
<i>The investment test is rated:</i>	<i>"High Satisfactory"</i>
<i>The service test is rated:</i>	<i>"Low Satisfactory"</i>

Major factors supporting the rating include:

- An adequate responsiveness to AA credit needs;
- A good dispersion of small business loans and HMDA-related loans in the AA;
- An adequate distribution of loans among businesses of different revenue sizes and to borrowers of different income levels;
- A good level of CD loans;
- A good level of qualified investments and donations;
- Accessible delivery systems, hours, and locations that do not vary by geography; and,
- An adequate level of community development services.

SCOPE OF EXAMINATION

The scope of the examination for the state of Texas was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. A full-scope review was conducted for the bank's AA in the Dallas-Fort Worth MSA, the only designated AA in the state. The statewide performance is discussed concurrently with the bank.

DESCRIPTION OF OPERATIONS IN THE DALLAS MSA AA

As previously noted, the bank's AA in the Dallas-Fort Worth MSA includes all census tracts of Collin, Dallas, Denton, and Tarrant Counties in the Dallas-Fort Worth, Texas MSA, which is comprised of a portion of the Dallas-Plano-Irving, Texas Metropolitan Division (MD). F&M's Dallas market includes Tarrant County, which is included in the Fort Worth-Arlington, Texas MD. This MSA/AA will be referred to as the "Dallas MSA AA." The bank's presence includes one branch in the Dallas MSA located in Dallas County. The location is in an office building without drive-through or ATM services.

While all products and services are offered, the strategic direction for the Dallas locations is to focus on commercial loans to small- and medium-size businesses. Although it is growing, the bank's Dallas footprint is relatively small, with 8.0 percent of F&M's deposits coming from the Dallas MSA AA. Furthermore, only 2.0 percent of the home mortgage loans and 9.0 percent of the small business loans reviewed at this examination were originated in the Dallas MSA AA market.

DESCRIPTION OF ASSESSMENT AREA

Although still slow by historical standards, the Dallas MSA AA's economy appeared to turn towards recovery in 2011 due to a booming population and diverse economy. Home prices have stabilized and employers appear to be hiring again.

Population and Income Characteristics

Dallas, a large city located in northeastern Texas, is the fourth largest metropolitan area in the nation. F&M's Dallas MSA AA includes approximately 90.0 percent of the entire metropolitan area's population. The Dallas MSA AA population was 4,589,769 at the 2000 Census. The populations of the entire Dallas MSA and the bank's portion of it have grown rapidly; the Dallas MSA AA population is estimated to have increased over 22.0 percent in 2010.

In 2000, the Dallas MSA AA's MFI (\$55,856) was 121.8 percent of the statewide figure (\$45,861). The Dallas MSA AA's concentrations of low-, moderate-, middle-, and upper-income families mirrored the statewide figures. However, slightly fewer area families lived below the poverty level, equaling 8.3 percent, compared to 12.0 percent of families statewide.

Economic and Banking Conditions

The Dallas MSA economy is heavily reliant on service industries, with 16.6 percent of total employment in professional and business services, 12.3 percent in education and health services, and 9.5 percent in leisure and hospitality services. The Dallas MSA offers a diverse array of employment opportunities. Large employers in the Dallas MSA include Wal-Mart Stores, Inc. (34,698 employees), Bank of America Corporation (20,000), Carlson Restaurants Worldwide (19,999), and Baylor Health Care System (19,677). Although unemployment in the Dallas MSA AA was relatively high during this examination period, all major industries saw year-to-year employment gains by 2011. Employment gains were particularly strong in finance and professional services. The recent uptick in unemployment is attributed to workers re-entering the labor force. As Table 13 illustrates, the Dallas MSA's unemployment rate continues to be lower than the national average.

Area	2009	2010	11Q3
Small Businesses	151	32.0	20,085
Large Businesses	200	42.4	52,060
Unknown Revenue	121	25.6	20,274

**TABLE 14
DALLAS-FORT WORTH-ARLINGTON ASSESSMENT AREA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	86	9.2	74,541	6.5	22,527	30.2	236,789	20.5
Moderate-income	268	28.6	282,651	24.5	42,796	15.1	206,298	17.9
Middle-income	297	31.6	390,949	33.8	21,619	5.5	235,192	20.4
Upper-income	283	30.2	406,944	35.2	8,476	2.1	476,806	41.2
Unknown-income	4	0.4	0	0.0	0	0.0	0	0.0
Total AA	938	100.0	1,155,085	100.0	95,418	8.3	1,155,085	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	126,129	30,743	3.1	24.4	83,419	66.1	11,967	9.5
Moderate-income	448,990	193,720	19.8	43.1	228,122	50.8	27,148	6.0
Middle-income	630,306	339,227	34.7	53.8	258,577	41.0	32,502	5.2
Upper-income	577,469	413,256	42.4	71.6	135,284	23.4	28,929	5.0
Unknown-income	16	0	0.0	0.0	10	62.5	6	37.5
Total AA	1,782,910	976,946	100.0	54.8	705,412	39.6	100,552	5.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	11,550	4.1	10,139	3.9	718	4.8	693	4.9
Moderate-income	62,501	21.6	53,491	20.5	4,982	33.1	4,028	28.5
Middle-income	94,804	32.7	85,372	32.8	4,907	32.5	4,525	32.1
Upper-income	119,098	41.0	110,196	42.3	4,217	28.0	4,685	33.2
Unknown-income	1,684	0.6	1,263	0.5	243	1.6	178	1.3
Total AA	289,637	100.0	260,461	100.0	15,067	100.0	14,109	100.0
Percent of Total Businesses:				89.9			5.2	4.9

Based on 2000 Census data, 2004 MSA designations, and 2010 D&B business demographic data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DALLAS MSA AA

LENDING TEST SUMMARY

The bank's performance under the lending test in the Dallas MSA AA is rated "low satisfactory." F&M had a low level of lending activity in the Dallas MSA AA; consequently, its performance had a limited impact on the bank's overall ratings. F&M's volume of residential real estate and business lending activity reflected adequate responsiveness to Dallas MSA AA's credit needs. The bank made 26 HMDA loans, which represented 2.1 percent of total HMDA loans reviewed for this evaluation, and 91 CRA loans, which represented 9.3 percent of total CRA loans.

Geographic Distribution:

As reflected in Tables 15 and 16, the geographic distribution of the bank's residential mortgage loans and business loans reflects a good dispersion of lending to LMI tracts in the Dallas MSA AA.

HMDA-Related Loans

The geographic distribution of home loans reflects good penetration throughout the Dallas MSA AA. According to Table 15, F&M made a total of 24.0 percent of its HMDA loans to LMI tracts, slightly exceeding the percentage of owner-occupied housing units in these tracts at 22.9 percent. F&M's lending to LMI tracts also exceeded peer performance; aggregate lenders originated only 7.2 percent of HMDA-related loans to LMI areas in 2010.

**TABLE 15
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT
HMDA LOANS DALLAS MSA AA**

Tract Income Level ¹	2010 Bank Loans				2011 Bank Loans				Aggregate HMDA Data ²	
	#	%	\$(000)	%	#	%	\$(000)	%	# %	\$ %
Home Purchase Loans										
Low	0	0.0	0	0.0	4	21.1	220	6.3	0.9	0.6
Moderate	0	0.0	0	0.0	2	10.5	110	3.2	8.7	5.0
Middle	0	0.0	0	0.0	4	21.1	972	27.8	36.3	29.9
Upper	0	0.0	0	0.0	9	47.3	2,189	62.7	54.1	64.5
Total	0	0.0	0	0.0	19	100.0	3,491	100.0	100.0	100.0
Home Refinance Loans										
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.5	0.4
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	4.1	2.6
Middle	0	0.0	0	0.0	0	0.0	0	0.0	25.7	20.4
Upper	1	100.0	1,002	0.0	4	100.0	752	100.0	69.7	76.6
Total	1	100.0	1,002	100.0	4	100.0	752	100.0	100.0	100.0
Home Improvement Loans										
Low	0	0.0	0	0.0	0	0.0	0	0.0	1.1	0.6
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	10.6	5.8
Middle	0	0.0	0	0.0	0	0.0	0	0.0	29.9	23.1
Upper	0	0.0	0	0.0	2	100.0	475	100.0	58.4	70.5
Total	0	100.0	0	100.0	2	100.0	475	100.0	100.0	100.0
Multi-Family										
Low	0	0.0	0	0.0	0	0.0	0	0.0	19.7	12.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	25.3	11.3
Middle	0	0.0	0	0.0	0	0.0	0	0.0	31.8	31.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0	23.2	45.7
Total	0	0.0	0	0.0	0	0.0	0	0.0	100.0	100.0
Total Home Mortgage Loans										
Low	0	0.0	0	0.0	4	16.0	220	4.7	0.7	0.8
Moderate	0	0.0	0	0.0	2	8.0	110	2.3	6.5	4.0
Middle	0	0.0	0	0.0	4	16.0	972	20.6	31.0	25.1
Upper	1	100.0	1,002	0.0	15	60.0	3,416	72.4	61.8	70.1
Total	1	100.0	1,002	0.0	25	100.0	4,718	100.0	100.0	100.0
Percentage of Owner – Occupied Housing by Tract Level ³	Low		Moderate		Middle		Upper			
	3.1		19.8		34.7		42.4			
1. Low-income census tracts are those geographies with median family incomes (MFI) less than 50% of the MSA or statewide nonMSA MFI based on 2000 census data; moderate-income equals 50% - 80%; middle-income is 80% - 120%; and upper-income is greater than 120%. 2. All HMDA originations in the Tulsa MSA AA reported by all HMDA filers. 3. Based on 2000 Census Data.										

Business Loans

F&M's business lending to LMI tracts is also good. In 2011, 52.6 percent of the bank's small business loans were made in LMI tracts. According to Table 16, F&M's performance exceeded the percentage of businesses located in LMI tracts, at 25.6 percent, as well as the aggregate lending figure of 21.1 percent.

TABLE 16
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT
CRA LOANS DALLAS MSA AA

Tract Income Level ¹	2010 Bank Loans				2011 Bank Loans				Aggregate CRA Data ²	
	#	%	\$(000)	%	#	%	\$(000)	%	# %	\$ %
Low	13	24.5	109	0.7	10	26.3	1,293	10.0	2.8	3.5
Moderate	15	28.3	5,204	33.6	10	26.3	4,547	35.2	18.3	27.3
Middle	16	30.2	7,059	45.6	11	28.9	3,145	24.3	28.5	27.9
Upper	9	17.0	3,094	20.0	7	18.4	3,947	30.5	47.1	38.6
Total	53	100.0	15,466	100.0	38	100.0	12,932	100.0	96.7	97.3
Percentage of Businesses by Tract Level ³		Low		Moderate		Middle		Upper		
		4.0		21.6		32.7		41.1		
<p>1. Low-income census tracts are those geographies with median family incomes (MFI) less than 50 of the MSA or statewide nonMSA MFI based on 2000 census data; moderate-income equals 50 - 80; middle-income is 80 - 120; and upper-income is greater than 120.</p> <p>2. All CRA originations in the Dallas MSA AA reported by all CRA filers. By number volume, 3.3 percent of aggregate loans were made to tracts of unknown income levels. By dollar volume, 2.7 percent of aggregate loans were made to tracts of unknown income levels.</p> <p>3. Approximately 0.6 percent of businesses had unknown revenues.</p>										

Distribution by Borrower Income and Revenue Size of the Business:

The bank's record of lending to LMI borrowers and small businesses in the Tulsa MSA AA is reasonable. Tables 17 and 18 illustrate the bank's lending performance in detail for each product evaluated.

HMDA-Related Loans

As illustrated in Table 17, the bank's record of lending to LMI families was well below both demographic and aggregate levels. Table 17 illustrates that approximately 3.9 percent of F&M's total HMDA-related loans were made to low-income families, who represent 20.5 percent of all families in the Dallas MSA AA. F&M's level of lending to low-income borrowers also lagged the lending of aggregate reporters at 5.4 percent. Income information was not reported on a significant number of F&M's HMDA-related loans, which distorted the results. Moreover, the small number of loans reviewed also hampers meaningful conclusions. Consequently, the bank's performance in this component had a de minimus impact on its overall rating.

**TABLE 17
BORROWER DISTRIBUTION
HMDA LOANS DALLAS MSA AA**

Borrower Income Level	2010 Bank Loans				2011 Bank Loans				Aggregate HMDA Data ¹	
	#	%	\$(000)	%	#	%	\$(000)	%	# %	\$ %
Home Purchase Loans										
Low	0	0.0	0	0.0	1	5.3	113	3.2	8.4	4.1
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	20.7	14.5
Middle	0	0.0	0	0.0	1	5.3	170	4.9	20.7	18.3
Upper	0	0.0	0	0.0	10	52.6	2,643	75.7	40.4	54.5
Unknown	0	0.0	0	0.0	7	36.8	565	16.2	9.8	8.6
Total	0	0.0	0	0.0	19	100.0	3,491	100.0	100.0	100.0
Home Refinance Loans										
Low	0	0.0	0	0.0	0	0.0	0	0.0	2.3	1.2
Moderate	0	0.0	0	0.0	1	25.0	160	21.3	8.7	5.1
Middle	0	0.0	0	0.0	0	0.0	0	0.0	16.2	11.8
Upper	1	100.0	1,002	100.0	3	75.0	592	78.7	57.2	67.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	15.6	14.3
Total	1	100.0	1,002	0.0	4	100.0	752	100.0	100.0	100.0
Home Improvement Loans										
Low	0	0.0	0	0.0	0	0.0	0	0.0	5.6	2.2
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	12.5	6.2
Middle	0	0.0	0	0.0	0	0.0	0	0.0	18.7	11.8
Upper	0	0.0	0	0.0	2	100.0	475	100.0	59.2	72.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	4.0	7.4
Total	0	0.0	0	0.0	2	100.0	475	100.0	100.0	100.0
Multi-Family										
Low	0	0.0	0	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	0.0	0.0
Middle	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Upper	0	0.0	0	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	0.0	0.0
Total	0	100.0	0	100.0	0	100.0	0	100.0	100.0	100.0
Total Home Mortgage Loans										
Low	0	0.0	0	0.0	1	4.0	113	2.4	5.4	2.5
Moderate	0	0.0	0	0.0	1	4.0	160	3.4	14.7	9.3
Middle	0	0.0	0	0.0	1	4.0	170	3.6	18.4	14.5
Upper	1	100.0	1,002	100.0	15	60.0	3,710	78.6	49.0	60.0
Unknown	0	0.0	0	0.0	7	28.0	565	12.0	12.6	13.7
Total	1	100.0	1,002	0.0	25	100.0	4,718	100.0	25.0	100.0
Percentage of AA Families by Income Level ²		Low		Moderate		Middle		Upper		
		20.5		17.9		20.4		41.2		
1. All HMDA originations in the Tulsa MSA AA reported by all HMDA filers.										
2. Based on 2000 Census Data.										

Small Business Loans

F&M's record of lending to small businesses in the Dallas MSA AA is also low. According to Table 18, the bank's dispersion of loans to businesses with gross annual revenues of \$1 million or less was 13.2 percent in 2010 and 36.8 percent in 2011. Although these percentages are markedly below the 89.9 percent of small businesses reporting revenue data in the AA, the bank's performance was similar to the percentage of loans to small businesses peer institutions at 35.6 percent. The aggregate lending data provides a better comparison because not all businesses have a need for traditional bank loans.

Business Revenue Size	2010 Bank Loans				2011 Bank Loans				Aggregate CRA Data	
	#	%	\$(000)	%	#	%	\$(000)	%	# %	\$ %
Small Businesses	7	13.2	1,806	11.7	14	36.8	3,119	24.1	35.6	33.6
Large Businesses	39	73.6	11,472	74.2	23	60.5	9,670	74.8	64.4	66.4
Unknown Revenue	7	13.2	2,188	14.1	1	2.7	143	1.1	NA	NA
Total	53	100.0	15,466	100.0	38	100.0	12,932	100.0	100.0	100.0
Percentage of Businesses	Small				Large				Unknown	
	89.9				5.2				4.9	

Community Development Loans:

F&M originated a strong volume of qualified CD loans to the Dallas MSA AA, which bolstered its lending test rating for the area. F&M originated four qualified loans in the Dallas MSA AA for \$19.4 million, which represented nearly a 400 percent increase since the last examination. F&M made three CD loans to revitalize and stabilize LMI tracts, including \$17 million in loans to an investment fund that provides credit to businesses operating in LMI areas. The bank also made one loan of \$1.1 million to promote affordable housing. Although the loans were not complex or innovative, they improved the bank's lending test performance because they augmented weaker areas of its lending record.

INVESTMENT TEST

F&M had an adequate level of qualified CD investments and donations in the Dallas MSA AA and its performance was rated "high satisfactory." Investments in the area totaled \$2.6 million and included five investments in mortgage-backed securities comprising of mortgages to LMI individuals or geographies in the Dallas MSA AA. The bank also made seven CD donations for a total of \$22,500. The donations were primarily geared towards community services targeted to LMI individuals.

SERVICE TEST

The bank's performance under the service test for the Dallas MSA AA was rated "low satisfactory" based on the accessibility of delivery systems and the adequate level of qualified community development services.

Retail Services:

As discussed in the overall service test section, F&M's retail services are accessible to all areas and residents of the Dallas MSA AA and do not vary by geography.

Community Development Services:

The bank's management and staff provided an adequate level of CD services in the Dallas MSA AA. F&M provided six services to five organizations in the area, with a majority directed towards community service organizations targeting LMI individuals. F&M employees provided financial expertise to the organizations such as the Trinity River Mission, Dallas Habitat for Humanity, and Women's Financial Exchange.

CRA APPENDIX A

SCOPE OF EXAMINATION TABLE

SCOPE OF EXAMINATION		
FINANCIAL INSTITUTION: THE F&M BANK & TRUST COMPANY TULSA, OKLAHOMA	PRODUCTS REVIEWED: HMDA LAR Loans: Home Purchase, Refinance, Home Improvement, and Multifamily CRA LAR Loans: Small Business, Small Farm Community Development Activities: Loans, Investments, Services	
TIME PERIOD REVIEWED: HMDA and CRA LAR Loans: 2009 and 2010 Community Development Activities: 2009 and 2010		
LIST OF AFFILIATES SUBJECT TO REVIEW FOR THIS EVALUATION		
AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
One Rich Hill Mining L.L.C.	Holding Company (Top Tier)	None
One Rich Hill Land L.P.	Holding Company (Middle Tier)	None
F&M Bancorporation, Inc.	Holding Company (Parent)	None
F&M Bancorporation Statutory Trust I	Sub of F&M Bancorporation	None
F&M Bancorporation Statutory Trust II	Sub of F&M Bancorporation	None
F&M Bancorporation Statutory Trust III	Sub of F&M Bancorporation	None
Harvard Capital, Inc.	Sub of F&M Bank	None
Famcore Holdings, Inc.	Sub of F&M Bank	None
Famcore, Inc.	Sub of Famcore Holdings, Inc.	None
Famisco L.P.	Sub of F&M Bank	None
Famisco Management G.P., Inc.	Sub of Famisco L.P.	None
Famisco Management L.P., Inc.	Sub of Famisco L.P.	None
Hsumy Oil & Gas, Inc.	Sub of F&M Bank	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED⁴	OTHER INFORMATION
<u>Oklahoma</u> Tulsa AA Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, and Wagoner Counties	Full Review	None	NA
<u>Texas</u> Dallas AA Dallas-Plano-Irving MD Collins, Dallas and Denton Counties Fort Worth-Arlington MD Tarrant County	Full Review	None	NA

⁴ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

State or Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Oklahoma	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Texas	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory

CRA 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, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community development: Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and 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, 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, 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 U.S. 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 data such as race, gender and income of applications, amount of loan requested, and 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 economical 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"). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the 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.