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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

January 4, 1999

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

**F&M Bank, N.A.  
Charter Number 23348**

**11000 Surrey Hills Blvd.  
Yukon, Oklahoma 73099**

**Comptroller of the Currency**

**1600 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201-3394**

**NOTE: 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.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **F&M Bank, N. A.** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 4, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

F&M Bank, N.A., does a good job of meeting the credit needs of the community. This is demonstrated by the following:

- ▶ The level of direct lending to borrowers with different income levels, particularly to low-income individuals or families within the assessment area, as well as lending to small businesses and small farms.
- ▶ The institution's average quarterly loan-to-deposit ratio of 59.49 percent since the previous examination meets standards for satisfactory performance.
- ▶ The variety of products and services offered by the bank.

The following table indicates the performance level of F&M Bank, N.A. with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>F&amp;M Bank, N.A.</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination.		

## DESCRIPTION OF INSTITUTION

F&M Bank, N.A., is owned by Farmers & Merchants Bancshares Inc., a two-bank holding company. F&M Bank, N.A. is a retail oriented institution with a main office and drive-thru facility located within the Oklahoma City limits. The bank has one branch office with a drive-thru located in Piedmont, Oklahoma. Facilities are readily accessible and business hours are convenient. There are no known financial or other impediments which would prevent the bank from fulfilling CRA responsibilities. F&M Bank, N.A. is a full-service bank providing a full range of loan and deposit products. As of September 30, 1998, the bank reported total assets of \$26,232,447, total loans of \$13,211,350, and an unadjusted loan-to-deposit ratio of 57 percent. A breakdown by type of loan is reflected in the table below.

<b>Percentage of Loans by Type as of September 30, 1998</b>	
Real Estate	53 percent
Agricultural	5 percent
Commercial and Industrial	18 percent
Instalment	24 percent

As depicted in the table above, F&M Bank's primary lending focus is real estate development loans.

F&M Bank, N.A. was issued a national bank charter and opened the Piedmont branch office on August 10, 1998. Performance under the CRA was previously evaluated by the FDIC for the bank's predecessor, Farmers & Merchants Bank, a state bank, as of May 31, 1995.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area consists of twenty census tracts within Canadian county. The area is located within a Metropolitan Statistical Area (MSA). The United States Census Bureau identifies three of the thirteen census tracts as moderate income (3004, 3005, 3010), nine as middle income (3001, 3002, 3003, 3006, 3007, 3010.03, 3012, 3013.97, 3014.03) with the remaining eight census tracts designated as upper income (3008.01, 3008.02, 3009.00, 3010.04, 3010.05, 3011, 3013.98, 3014.04). The twenty census tracts are contiguous and include the communities of West Canadian Division, Walnut Division, Calumet, Geary, El Reno, Union City, Oklahoma City, Piedmont, Yukon, and Mustang. According to 1990 Census data the area had a population of 74,409 with an average HUD MSA Median Family Income of \$41,300.

Applicable portions of Oklahoma City, where the bank's main facility is located, has an estimated population of 43,534. Larger communities in the assessment area consist of Yukon (population 7,575), and El Reno (population 4,828). Based on census data, 13 percent of assessment area families have low- to moderate- incomes. Eight percent of the population is over 65 years of age. The economy is dominated by agriculture. The major agricultural products are wheat and cattle. There are few significant manufacturing or light industrial businesses in the assessment area. Major employers are represented by local school districts. The majority of residents commute to work in Oklahoma City. While there are no competing banks in Piedmont, there are seven competing banks in Canadian county.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

F&M Bank's loan-to-deposit ratio meets the standards for satisfactory performance. This determination is based on an assessment of the bank's average loan-to-deposit ratio for the previous eight quarters. During these eight quarters the bank's unadjusted loan-to-deposit ratio ranged from a low of 56 percent at December 31, 1996 to a high of 61 percent at December 31, 1997, with an average loan-to-deposit ratio of 59 percent. This average ratio compares favorably to other banks in Canadian county. As of June 30, 1998, the unadjusted loan-to-deposit ratio for 66 area banks ranged from 25 to 90 percent with an average of 62 percent. Of these 66 banks, 39 reported loan-to-deposit ratios higher than F&M Bank, N.A.

### Lending in Assessment Area

F&M Bank management does not perform a formal analysis to determine the volume of loans made inside and outside the designated assessment area. As of September 30, 1998, loans sampled during this examination indicate 77 percent of the loans in the portfolio have been made to borrowers within the assessment area.

### Lending to Borrowers of Different Incomes and to Businesses of Different sizes

Distribution of loans to borrowers of different income levels as well as to small farms and businesses is good. F&M Bank, N.A. offers loan products with no minimum loan amount requirements. A sample of 34 consumer loans was reviewed to determine distribution to applicants within the assessment area. Based on this random sample, management has achieved reasonable penetration levels when compared to the demographic data available.

LOANS EXTENDED BY HOUSEHOLD INCOME VERSUS DEMOGRAPHIC CHARACTERISTICS			
INCOME LEVEL	DISTRIBUTION BY NUMBER	DISTRIBUTION BY AMOUNT	DEMOGRAPHIC DATA
LOW	8%	8%	13%
MODERATE	19%	19%	14%
MIDDLE	16%	16%	25%
HIGH	57%	57%	48%

At present, all of F&M Bank's commercial loans are extended to small business and small farming operations. The analysis of commercial loans also indicates F&M Bank, N.A. adequately provides credit to local businesses of various sizes.

### **Geographic Distribution of Loans**

No analysis of the geographic distribution of credit within the assessment area was performed as the assessment area includes no low income census tracts.

No practices were noted which were intended to discourage types of credit offered. Management solicits credit applications from all segments of the community. Our review revealed substantial compliance with all the provisions of the antidiscrimination laws and regulations. The Board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.

### **Response to Complaints**

No complaints concerning the CRA have been received since the last examination.