

# **PUBLIC DISCLOSURE**

January 4, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Oklahoma State Bank  
Certificate Number: 13416

122 South Hoy Street  
Buffalo, Oklahoma 73834

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

1601 Bryan Street, Suite 1410  
Dallas, Texas 75201

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.

## **TABLE OF CONTENTS**

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	1
DESCRIPTION OF ASSESSMENT AREA .....	2
SCOPE OF EVALUATION .....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	8
APPENDICES .....	9
SMALL BANK PERFORMANCE CRITERIA.....	9
GLOSSARY .....	10

## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Oklahoma State Bank's (OSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit ratio (LTD) is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment area.
- The assessment area does not include any low- or moderate-income geographies; therefore, this criterion was not evaluated.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

OSB is a full-service agricultural bank headquartered in Buffalo, Oklahoma. The bank currently operates from two office locations. OSB's main office, located in a middle-income census tract in northwest Oklahoma, sits approximately 173 miles northwest of Oklahoma City. OSB also operates from a branch office in a middle-income census tract in Gage, Oklahoma, approximately 43 miles south of the main office. Buffalo Bancshares, Inc., Buffalo, Oklahoma, a one-bank holding company, wholly owns the institution.

OSB received a "Satisfactory" CRA rating at its previous March 23, 2015, Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation using Small Institution Examination Procedures. OSB did not participate in any merger or acquisition activity nor did it open or close any branches since the previous evaluation.

OSB offers a full-line of loan products, including agricultural, commercial, residential, and consumer loans, as well as a variety of deposit products. OSB maintains typical banking hours for its area and industry, with extended hours offered on Fridays. The institution operates one non-deposit taking automated teller machine at its main office location.

As of September 30, 2020, assets totaled \$57.5 million and deposits totaled \$51.5 million. Since the prior evaluation, assets and deposits fluctuated with an overall decrease in total assets of 4.4 percent and a decrease in total deposits of 7.2 percent. Distribution of assets shows that Net Loans & Leases at 62.1 percent and securities at 22.3 percent constitute the bank’s major asset categories as of September 30, 2020.

As reflected in the following table, loans outstanding as of September 30, 2020, reflect a loan distribution consistent with the loan origination mix discussed under the Scope of Evaluation. As seen in the following table, agricultural loans, at 54.8 percent, represents the largest loan type by dollar volume of loans, followed by commercial loans at 19.4 percent.

<b>Loan Portfolio Distribution as of 09/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	84	0.2
Secured by Farmland	3,750	10.4
Secured by 1-4 Family Residential Properties	3,311	9.2
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	1,856	5.2
<b>Total Real Estate Loans</b>	<b>9,001</b>	<b>25.0</b>
Commercial and Industrial Loans	5,116	14.2
Agricultural Production and Other Loans to Farmers	15,979	44.4
Consumer Loans	5,845	16.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	125	0.3
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	44	0.1
<b>Total Loans</b>	<b>36,022</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Based on the information discussed in this section, as well as other regulatory data, OSB’s financial condition, size, product offerings, prior performance, and lack of legal impediments do not affect OSB’s ability to meet its assessment area’s credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. The bank designated a single assessment area consisting of two contiguous counties in Oklahoma. Specifically, the assessment area includes the two census tracts in Ellis County, Oklahoma, and the two census tracts in Harper County, Oklahoma. The

assessment area did not experience any changes since the previous evaluation, and conforms to CRA regulatory requirements.

**Economic and Demographic Data**

The assessment area includes four census tracts in a non-Metropolitan Statistical Area of Oklahoma. According to 2015 American Community Survey (ACS) Data, these tracts reflect the following income designations: two middle-income census tracts and two upper-income census tracts. Since the previous evaluation and use of 2010 Census data, one middle-income census tract became an upper-income tract.

Ellis County houses one underserved geography (9526.00) and Harper County includes one underserved census tract (9521.00). Additionally, in 2020, the State of Oklahoma became subject to FEMA-4530-DR due to the COVID-19 pandemic. As of November 27, 2015, FEMA-4247-DR for Severe Winter Storms and Flooding impacted Ellis County. Finally, Ellis and Harper Counties received FEMA-4299-DR effective January 13, 2017, for Severe Winter Storms. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	50.0	50.0	0.0
Population by Geography	7,887	0.0	0.0	59.2	40.8	0.0
Housing Units by Geography	4,163	0.0	0.0	59.4	40.6	0.0
Owner-Occupied Units by Geography	2,478	0.0	0.0	60.3	39.7	0.0
Occupied Rental Units by Geography	676	0.0	0.0	65.8	34.2	0.0
Vacant Units by Geography	1,009	0.0	0.0	53.1	46.9	0.0
Businesses by Geography	472	0.0	0.0	66.5	33.5	0.0
Farms by Geography	95	0.0	0.0	54.7	45.3	0.0
Family Distribution by Income Level	2,107	16.3	13.4	18.7	51.6	0.0
Household Distribution by Income Level	3,154	21.5	12.7	16.7	49.1	0.0
Median Family Income Non-MSAs-OK		\$51,491	Median Housing Value			\$79,404
			Median Gross Rent			\$619
			Families Below Poverty Level			9.3%

*Source: 2015 ACS Data; 2019 D&B Data*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

The analysis of small farm loans under the borrower profile criterion compares the distribution of loans to the distribution of farms by revenue category. According to 2019 D&B data, the assessment area contained 95 farms. Gross annual revenues (GARs) for these farms are as follows:

- 95.8 percent have GARs of \$1 million or less,
- 2.1 percent have GARs over \$1 million, and
- 2.1 percent have unknown GARs.

Service-related businesses represent 27.3 percent of the area's primary industry and driving force of the economy. Other notable industries in the area include non-classifiable establishments at 19.9 percent, and agricultural, forestry, and fishing at 16.8 percent. Large employers in the area include the Department of Transportation, Buffalo Feeders, and Buffalo Public Schools. According to 2019 D&B data, 85.4 percent of businesses operate from one location and 60.7 percent have four or fewer employees.

Data obtained from the U.S. Bureau of Labor Statistics indicates that Ellis County reported an annual unemployment rate of 2.5 percent for 2019, and Harper County reported an unemployment rate of 2.9 percent for 2019. These figures reflect increases when compared to those reported at the last evaluation. The State of Oklahoma reported an unemployment rate of 3.3 percent for the same period.

### **Competition**

The area includes limited competition as OSB is only one of four banks operating in the assessment area. According to the June 30, 2020, FDIC Summary of Deposits report, OSB ranks second in the area with 23.4 percent of the deposits.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community needs. This information helps determine financial institutions' responsiveness to these needs and shows available credit opportunities.

Examiners contacted a representative of the community knowledgeable of the area's agricultural environment, economic conditions, community credit needs, and potential opportunities for bank involvement. The contact stated that the area relies on energy and oil production, as well as agriculture. The contact indicated that the primary lending need of the area is agricultural lending. Overall, the contact noted that financial institutions remain responsive to the credit needs of the area.

### **Credit Needs**

Considering information obtained from the community contact, demographic and economic data, and bank management, examiners determined that small farm and small business lending represent the primary credit needs of the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from March 23, 2015, to January 4, 2021, the date of the previous evaluation to this evaluation's date. To evaluate performance, examiners applied the CRA Small Bank Procedures, which include the Lending Test. The appendices list the evaluation criteria for these procedures.

## Activities Reviewed

Small Bank procedures require examiners to determine the bank's major product lines for review. Based on the number and dollar volume of lending in 2019 and management's stated business strategy, examiners determined that the bank's major product line includes agricultural loans at 62.5 percent by dollar volume of loans originated. None of the other typically reviewed loan types, including commercial, home mortgage, and consumer loans, represent major product lines and would not materially affect any conclusions or the rating. Therefore, this evaluation does not include a review of these loan categories. The following table shows loan origination activity for the most recent and available full calendar year.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	90	0.3	1	0.1
Secured by Farmland	206	0.6	4	0.3
Secured by 1-4 Family Residential Properties	1,939	5.3	16	1.2
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	569	1.6	10	0.7
Commercial and Industrial Loans	5,442	15.0	219	16.4
Agricultural Loans	22,447	61.9	230	17.2
Consumer Loans	5,565	15.3	859	64.1
Other Loans	0	0.0	0	0.0
<b>Total Loans</b>	<b>36,258</b>	<b>100.0</b>	<b>1,339</b>	<b>100.0</b>
<i>Source: 2019 Bank Data</i>				

From the total of 234 agricultural loans originated in 2019, examiners determined 225 loans totaling \$13,502,395 were classified as small farm loans. Examiners reviewed a sample of 55 small farm loans totaling \$3,668,802, from the universe of 225 small farm loans totaling \$13,502,395 originated in 2019. Examiners selected the sample based on a 90 percent confidence interval with a 10 percent precision level. D&B data for 2019 provided the standard of comparison for the small farm lending.

Examiners analyzed the small farm sample to arrive at a conclusion for the institution's assessment area concentration performance, while examiners reviewed only those loans identified as being within the bank's assessment area to arrive at a conclusion regarding the borrower profile distribution. Examiners used full-scope procedures for the sole assessment area. While the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

OSB demonstrated a satisfactory record regarding the Lending Test. The bank exhibited a reasonable record regarding its LTD ratio and originated a majority of the loans reviewed within its assessment area, which outweighed the excellent borrower profile distribution performance.

### Loan-to-Deposit Ratio

The LTD is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.

For the 23 quarters since the previous evaluation, OSB recorded a 66.5 percent average, net LTD ratio, which is greater than the 51.2 percent average, net LTD ratio reflected at the previous evaluation. OSB's quarterly, LTD ratio varied from a high of 79.2 percent on March 31, 2020, to a low of 51.8 percent on March 31, 2015, with no discernable trend identified. Examiners also identified and listed in the following table, two similarly-situated banks operating in OSB's assessment area, that report comparable lending emphases. The table shows that OSB's ratio exceeds one of the two similarly-situated institutions' ratios.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 09/30/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Oklahoma State Bank, Buffalo, OK</b>	<b>\$57,547</b>	<b>66.5</b>
Farmers and Merchants Bank, Arnett, OK	\$56,165	37.9
SNB Bank National Association, Shattuck, OK	\$138,574	79.2

*Source: Reports of Condition and Income 03/31/2015 – 09/30/2020*

### Assessment Area Concentration

A majority of loans and other lending-related activities are in the institution's assessment area. A majority of small farm loans originated inside the assessment area primarily supports this conclusion. Examiners considered the bank's asset size and office structure, as well as the loan category reviewed relative to the assessment area's size and economy when arriving at this conclusion.

The following table shows that the bank originated a majority of its small farm lending, by number and dollar volume, inside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	46	83.6	9	16.4	55	2,729	74.4	940	25.6	3,669
<i>Source: 2019 Bank Data</i>										

### **Geographic Distribution**

The assessment area does not include any low- or moderate-income geographies, and a review of the geographic distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. An excellent record regarding small farm loans supports this conclusion. Examiners focused on the percentage by number of small farm loans to farms with GARs of \$1 million or less.

### ***Small Farm Loans***

The distribution of small farm loans reflects excellent penetration among farms of different sizes. The following table shows that the bank originated all of the small farm loans reviewed to farms with GARs of \$1 million or less, reflecting excellent performance. Additionally, the table indicates that the bank extended 89.1 percent of the reviewed loans to farms in the smallest two revenue categories, surpassing demographic data, further supporting excellent performance.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
< \$100,000	52.6	27	58.7	1,205	44.2
\$100,000 - \$249,999	33.7	14	30.4	995	36.4
\$250,000 - \$499,999	4.2	5	10.9	529	19.4
\$500,000 - \$1,000,000	5.3	0	0.0	0	0.0
<b>Subtotal ≤ \$1,000,000</b>	<b>95.8</b>	<b>46</b>	<b>100.0</b>	<b>2,729</b>	<b>100.0</b>
> \$1,000,000	2.1	0	0.0	0	0.0
Revenue Not Available	2.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>2,729</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; 2019 Bank Data</i>					

### **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** 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 are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.