



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 30, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank and Trust Company of Ardmore
Charter Number 13677**

**405 West Main Street
Ardmore, Oklahoma 73401**

**Office of the Comptroller of the Currency
Kyle M. Jones,
Assistant Deputy Comptroller
Oklahoma City Field Office
The Harvey Parkway Building, Suite 490
301 NW 63rd Street
Oklahoma City, Oklahoma 73116**

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.

Table of Contents

Overall CRA Rating.....	1
Scope of Evaluation.....	1
Description of the Institution.....	3
Description of the Bank’s Assessment Area.....	4
Conclusions about Performance Criteria.....	6
Lending Test.....	6
Loans to Deposit Ratio.....	6
Lending in Assessment Area.....	6
Lending to Borrowers with Different Incomes and to Business of Different Sizes.....	7
Geographic Distribution of Loans.....	8
Responses to Complaints.....	9
CD Loans, Qualified Investments & CD Services Test.....	10
Community Development Loans.....	10
Community Development Investments.....	11
Community Development Services.....	12
Fair Lending or Other Illegal Credit Practices Review.....	13

OVERALL CRA RATING

**INSTITUTION'S CRA RATING:
THIS INSTITUTION IS RATED Satisfactory**

THE LENDING TEST IS RATED: **Outstanding**
THE COMMUNITY DEVELOPMENT TEST IS RATED: **Satisfactory**

First National Bank & Trust Company of Ardmore (FNB&TC) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 60 percent during the evaluation period.
- A substantial majority of FNB&TC's loans are within the bank's Assessment Area (AA).
- FNB&TC's distribution of loans to businesses and individuals of different income (including low- and-moderate) levels is excellent.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- FNB&TC's community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.
- There have been no complaints with respect to FNB&TC's Community Reinvestment Act (CRA) performance.

SCOPE OF EVALUATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on data from a sample of consumer and small business loans extended from 2003 through 2005. Conclusions regarding the Community Development Test are based on community development activities from September 30, 2001 through December 31, 2005.

DESCRIPTION OF INSTITUTION

First National Bank and Trust Company of Ardmore is a \$287 million institution that is headquartered in Ardmore, Oklahoma, located in South Central Oklahoma. The bank has seven branches, all located within its AA. FNB&TC is a subsidiary The First National Corporation of Ardmore, Incorporated (FNC), a one-bank holding company headquartered in Ardmore, Oklahoma. As of September 30, 2005, FNC’s assets totaled \$285 million, with FNB&TC comprising approximately 100 percent of its assets. The bank was rated “Satisfactory” at the prior CRA examination dated October 22, 2001.

FNB&TC provides a wide variety deposit and loan products. These include commercial, residential, and agricultural real estate, agricultural production, and consumer loans as depicted in the following table:

Loan Portfolio Composition as of December 31, 2005		
Loan Category	\$ (000)	%
Residential Real Estate	30,785	22.81%
Commercial Real Estate	27,897	20.68%
Commercial and Industrial	24,996	18.53%
Consumer	22,447	16.64%
Agricultural Production	14,584	10.81%
Agricultural Real Estate	7,514	5.57%
Construction	4,304	3.19%
Multi-Family Real Estate	316	0.23%
Other	2,064	1.53%
Total	134,907	100.00

Source: December 31, 2005 Report of Condition and Income

The bank’s branches are located in areas that make them accessible to persons from different areas of the communities they serve. Lobby hours and drive-up hours are set by location to meet customer needs, and FNB&TC has ATMs at branches and other locations in their market to make customer accounts accessible. The following table reflects the bank’s banking and ATM locations in the AA:

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	0	0.00	0	0.0	0	0.00
Moderate	2	10.00	0	0.00	1	9.09
Middle	16	80.00	7	70.00	6	54.55
Upper	2	10.00	1	30.00	4	36.36
Total	20	100.00	8	100.00	**11	100.00

Source: 2004 U.S. Census Data; *ATMs are non-deposit taking; **Includes 8 ATMs contiguous to banking locations.

Customers may also access their accounts through telephone banking or by the Internet. Internet and phone banking services include transfers between FNB&TC accounts, review of balances or transactions, and bill-paying capacity for the Internet banking product. The bank also offers a Visa Check Card that provides customers with additional access to their accounts at point of sale or ATM locations.

FNB&TC’s business strategy includes continued marketing of commercial and consumer credit, as well as various types of deposit products, which management determines to be best suited to meet the banking needs of businesses and consumers located in the bank’s AA.

The bank reported \$23 million in Tier 1 Capital as of December 31, 2005. This represents 8.00 percent of adjusted average assets. Given FNB&TC’s products, services, and accessibility to customers, the bank is financially capable of meeting most requests for credit, subject to certain legal restrictions applicable to all national banks.

The AA is reasonable as a substantial majority of the bank’s loans are made to borrowers within the AA and all of the bank’s offices are located in the AA. The AA does not arbitrarily exclude any low- and moderate-income areas. The following provides information regarding the AA.

DESCRIPTION OF THE BANK’S ASSESSMENT AREA

FNB&TC’s AA is composed of Carter, Jefferson, Love, and Murray counties in South Central Oklahoma. This AA encompasses areas in which the main bank and the seven branches are located. The designated AA is reasonable, within the regulations and does not arbitrarily exclude any low-to-moderate- income areas. Based on the 2000 U.S. Census Bureau information, of the 20 census tracts in the AA, none are identified as low-income, 2 are moderate-income, 16 are middle-income, and 2 are upper income. The following table depicts the demographics of the AA.

Demographic and Economic Characteristics of the AA	
<i>Population</i>	
Population	73,893
Number of Families	20,795
Number of Households	29,144
<i>Geographies</i>	
Number of Census Tracts/BNA	20
% Low-Income Census Tracts/BNA	00.00%
% Moderate-Income Census Tracts/BNA	10.00%
% Middle-Income Census Tracts/BNA	80.00%
% Upper-Income Census Tracts/BNA	10.00%
% N/A Census Tracts/BNA	00.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$37,139
2004 HUD-Adjusted MFI	\$41,300
<i>Economic Indicators</i>	
Unemployment Rate	2.51%
2004 Median Housing Value	\$54,249
% of Households Below Poverty Level	16.00%

Source: 2000 U.S. Census Data and 2004 HUD Updated MSA Median Income Data

The community credit needs and business opportunities are also served by several other national and state chartered banks as well as branches of those institutions that are located in the AA. The community contacts confirmed that banking in South Central Oklahoma is very aggressive and credit needs are generally met.

Manufacturing, wholesale distribution, agriculture, and energy are the leading sources of income for the area. Michelin North America, Mercy Memorial Health Center, and Dollar General remain the largest employers in the AA. Recently, the local economy has enjoyed notable growth as the result of new industries that have located to the area. These include Dollar Tree, East Jordan Iron Works, King Aerospace, IMTEC Imaging, Dot Foods, and Best Buy. Additionally, the Samuel Roberts Noble Foundation continues to expand and contribute significantly to the local economy.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

THE BANK'S PERFORMANCE UNDER THE LENDING TEST IS RATED
"Outstanding"

Loan-to-Deposit Ratio

FNB&TC's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The average quarterly loan-to-deposit ratio from December 31, 2001 through September 30, 2005 was 60.18 percent. This average was compared to the average of five similar banks with total assets between \$100 million and \$300 million, for the same time period, in the AA and contiguous counties. These are listed in the following table:

Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 09/30/05)	Average Loan – to-Deposit Ratio
First Bank & Trust Company, Duncan, Oklahoma	299,488	74.21%
<i>First National Bank & Trust Company of Ardmore</i>	<i>284,796</i>	<i>60.18%</i>
American National Bank, Ardmore, Oklahoma	133,059	70.70%
Citizens Bank & Trust Company of Ardmore, Ardmore, Oklahoma	132,051	68.60%
Citizens Bank of Ada, Ada, Oklahoma	131,507	67.21%
The Pauls Valley National Bank	113,105	68.45%

Source: Institution Reports of Condition from December 2001 to September 2005

FNB&TC's loan-to-deposit ratio is less than the average of the five comparable bank's of 69.83 percent. The bank's slightly lower loan-to-deposit ratio is primarily attributed to its history of conservative operations.

Lending in Assessment Area

FNB&TC's lending in its assessment area exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of consumer and small business loans evaluated were originated within the bank's AAs. As depicted in the table below, 90 percent of the number of loans and 93 percent of the dollar amount of loans were originated in FNB&TC's AA.

Lending in FNB&TC's Assessment Area										
Loan Type(s)	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer – Auto	35	90%	4	10%	39	232	85%	42	15%	274
Small business	34	89%	4	11%	38	1,981	94%	128	6%	2,109
Total	69	90%	8	10%	77	2,213	93%	170	7%	2,383

Source: Loan Sample; 2000 U.S. Census Data

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB&TC's borrower distribution of consumer and small business loans exceeds the standards for satisfactory performance.

The bank's distribution of loans to small businesses is excellent. Loans to businesses with annual revenues of \$1 million or less represented 88 percent of loans in the sample, which exceeds the 64 percent of area businesses that reported revenues of less than \$1 million. The dollar volume of loans to businesses with annual revenues of greater than \$1 million exceeds the percentage of businesses with revenues greater than \$1 million. However, this is reasonable as it is expected that businesses with revenues exceeding \$1 million would typically borrow larger loan amounts.

Borrower Distribution of Loans to Businesses for FNB&TC's Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	5%	31%	100%
% of Bank Loans in AA by #	88%	12%	0%	100%
% of Bank Loans in AA by \$	41%	59%	0%	100%

Source: Loan sample; 2004 Census Business Geodemographic Data

The bank's distribution of loans to low- and moderate-income individuals and families is excellent. Loans to low-income individuals and families represented 49 percent of number of loans and 26 percent of the dollars of loans in the sample, significantly exceeding the 19 percent of the population in the AA that are low-income. Loans to moderate-income individuals and families represented 26 percent of the number and 25 percent of the dollars of loans in the sample, exceeding the 18 percent of the population that are moderate-income.

Borrower Distribution of Loans to Consumers in FNB&TC's Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.33%		18.21%		20.79%		41.67%	
Loan Type(s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer-Auto	49%	26%	26%	25%	20%	32%	6%	17%

Source: Loan sample; 2000 U.S. Census Data

Geographic Distribution of Loans

FNB&TC’s geographic distribution of loans is satisfactory and meets the standard for satisfactory performance.

The geographic distribution of loans to loans to small businesses is satisfactory. The AA does not contain any low-income census tracts and contains only two moderate-income census tracts. One of the moderate-income census tracts is located in southwestern Jefferson County, at the outermost edge of the AA. That census tract contains only 81 small businesses or 2 percent of the small businesses in the AA. There are two banks in Waurika, located in close proximity to this census tract, while FNB&TC’s branch is located at Ringling, on the far eastern edge of Jefferson County. Therefore, small business lending in this moderate-income census tract would not be expected to be significant. The other moderate-income census tract is a small tract that encompasses an area of downtown Ardmore and to the east. That census tract contains 164 small businesses, or 4 percent of the total small businesses in the AA. Therefore, a significant level of lending in this AA would not be expected.

Geographic Distribution of Loans to Small Businesses in FNB&TC’s Assessment Area								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0.00%		5.50%		75.05%		19.45%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Small Business Loans	0.00%	0.00%	0.00%	0.00%	88%	54%	12%	46%

Source: Loan sample; 2004 Business Geodemographic Data

The geographic distribution of consumer lending is satisfactory. The AA does not contain any low-income census tracts and only two moderate-income census tracts. One of the moderate-income census tracts is located in southwest Jefferson County, at the outermost edge of the AA. That census tract contains only 441 households or 1.5 percent of the households in the AA. There are two banks in Waurika, which is located very near this census tract, with FNB&TC’s branch being located at Ringling, on the far eastern edge of Jefferson County. Therefore, consumer lending in this moderate-income census tract would not be expected to be significant. The other moderate-income census tract is a small tract that encompasses an area of downtown just southeast of downtown. That census tract contains 2,235 households, or 7.73 percent of the total households in the AA. Therefore, a significant level of lending in this AA would not be anticipated.

Geographic Distribution of Consumer Loans in FNB&TC’s Assessment Area								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Census Tracts in AA	0.00%		10.00%		80.00%		10.00%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer – Auto	0%	0%	3%	1%	89%	89%	9%	11%

Source: Loan sample; 2000 U.S. Census Data.

RESPONSES TO COMPLAINTS

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST
CD LOANS, QUALIFIED INVESTMENTS, AND CD SERVICES TEST

THE BANK'S PERFORMANCE UNDER THE COMMUNITY DEVELOPMENT TEST IS RATED
"Satisfactory"

Opportunities for qualified community development loans and investments are very limited in the bank's AA. A majority of the AA is comprised of rural, low-density areas. The largest city in the AA is Ardmore, which has a population of only 25,000. Currently, there are no major community development projects underway in Ardmore.

FNB&TC is very active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals. The bank is also involved with, invests in, or lends to organizations whose focus is on community or economic development. FNB&TC has made a significant financial commitment to the local hospital, a major health care provider for rural communities and counties in South Central Oklahoma. The bank has been very active in holding leadership positions and making significant donations to the Ardmore Chamber of Commerce, which is primarily involved in economic development and small business creation. The bank also actively lends to the Ardmore Development Authority (ADA), which is the economic development division of the Ardmore Chamber of Commerce.

Community Development Loans

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

FNB&TC purchased a \$200 thousand loan participation in a \$1.2 million loan to a non-profit economic development organization. Funding was used to construct a community swimming pool located in a low-income neighborhood and moderate-income census tract in Ardmore. This project has helped revitalize and rehabilitate community facilities in this low-income neighborhood.

Currently, FNB&TC has three loans outstanding to the Ardmore Development Authority (ArDA) that originated at \$1.4 million. While these loans do not meet the size test for a qualified community development loan, it indicates the bank's willingness to be involved in community development activities. Also, the ArDA has identified the need for affordable owner-occupied housing. As a result, ArDA is in the early stages of developing residential construction targeted to low- and moderate-income individuals and families. Bank management plans to develop construction and permanent lending programs to promote this affordable housing initiative. The permanent mortgage product will provide more flexible terms, making credit more readily available to potential homebuyers.

The bank also participates in the Rural First-Time Homebuyer Program (RFHP) provided through the Federal Home Loan Bank of Topeka. RFHP funds may be used for down payment, closing costs, homebuyer education fees, or rehabilitation costs associated with the purchase of a home. The bank has originated two loans under this program totaling \$90 thousand. Funds under this program have currently been depleted, precluding additional originations.

The bank has made numerous small residential mortgage loans to low- and moderate-income families on terms more flexible than conventional mortgage loans. These types of loans are a primary need in the small rural communities the bank serves. Many of these customers would not have qualified for conventional mortgages. The bank was not able to readily provide the number and dollar amount of these types of loans originated but committed to tracking these loans in the future.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation. During the evaluation period, the bank has made over 50 qualified donations totaling \$173 thousand in FNB&TC's AA. In addition, the bank has a \$450 thousand commitment to the local hospital to be funded over the next ten years. Investments support community services that target low- and moderate-income families and individuals and economic and small business development. Specific examples of the bank's more significant investments to qualifying community development organizations are described below.

- ***Mercy Memorial Health Center Foundation (MMHC)***
Mercy Memorial Health Center, a nonprofit organization, is the premier health facility in southern Oklahoma serving 100,000 residents. MMHC meets the essential health care needs for the public welfare of a large portion of South Central Oklahoma. MMHC treats all patients regardless of their ability to pay, including the indigent. MMHC reports that a high percentage of their patients are low-and moderate-income. MMHC's meets the health care needs of the rural population with their network of clinics that are located in small rural communities. Many of the rural population served would not otherwise receive health care due to lack of income or the inability to drive the distances required to receive services. FNB&TC made a \$50 thousand donation to MMHC in 2005 for expansion and has committed an additional \$450 thousand over the next ten years.

- ***Ardmore Chamber of Commerce/Ardmore Development Authority (ArDA)***
FNB&TC has made significant financial contributions and provided technical expertise during the evaluation period to the Ardmore Chamber of Commerce. The chamber's mission is to improve the local economy through economic development and small business creation. Economic development activities are primarily conducted through the ArDA, which has been successful in bringing new small businesses to the community and generating new jobs. Some of the recent larger projects ArDA has been involved with include construction of a 600,000 square foot warehouse distribution center near I-35 in Marietta, Oklahoma. This was a \$35 million project that created 100 new jobs targeted to low- and moderate-income individuals. Other recent projects include facilitation of a new foundry in Ardmore for East Jordan Iron Works, a small business that employs 200 people. ArDA also supported the refurbishing of a 100,000 square foot hanger for King Aerospace, a company that supports the United States Air Force on the E-9A Fleet aircraft. ArDA also facilitated projects for other companies such as Higgins Interiors, Peterbuilt Truck Center, and Samuel Roberts Noble Foundation. Several new projects are underway. In total, ArDA has contributed to the creation of 1,100 new jobs in the past five years.
- ***Ardmore Main Street Authority (AMSA)***
AMSA works to encourage development in the central business district of Ardmore. Ardmore Main Street has been instrumental in many downtown revitalization efforts including the streetscape beautification program, historic building preservation, and business recruitment. The bank has made numerous donations to this organization to support their efforts.

Community Development Services

The level of qualified community development services is satisfactory. Bank officers have served in leadership positions on organizations that provide community services to low- and moderate-income families and provided technical expertise and financial assistance to these organizations. Bank officers also serve in leadership positions on organizations that are involved in economic and small business development activities. The following are examples of qualifying community development services.

- ***Ardmore Chamber of Commerce/Ardmore Economic Development Authority***
Bank officer serves as Ambassador and Vice Chairman. The Ardmore Chamber is active in economic and small business development. ArDA has played a vital role in attracting new businesses and the creation of new jobs in the bank's AA.
- ***United Way***
A bank officer serves as a Board member and another officer serves as a Vice Chairman of this organization. United Way member agencies provide a variety of social services to low- and moderate-income families in the Ardmore area.

- *Family Shelter of Southern Oklahoma*

This organization helps individuals acquire the information and survival skills necessary to take control of their lives and encourage individuals to remove themselves from violent and dangerous situations. Bank officers serve as President/Board member and Division Chairman.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of discriminatory or other illegal credit practices with helping to meet community credit needs.