



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 23, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

405 West Main Street
Ardmore, Oklahoma 73401

Assistant Deputy Comptroller
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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.

INSTITUTION'S CRA RATING

This institution is rated "Satisfactory"

The major factors supporting the institution's rating include the following:

- A substantial majority of the bank's loans were originated within the bank's assessment area (AA);
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- The bank's distribution of loans reflects a reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance;
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA and meets the standard for satisfactory performance; and,
- First National Bank & Trust Company's (FNB's) community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.

SCOPE OF EXAMINATION

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 originated from 2007 through 2008. Conclusions regarding the Community Development Test are based on community development activities from February 1, 2006 through February 23, 2009.

A Data Integrity examination was conducted in July 2008 to evaluate the bank's policies and processes for compliance with the Community Reinvestment Act (CRA) and its community development activities. We found these processes were effective. The Bank is not subject to the data collection rules of the Home Mortgage Disclosure Act (HMDA) since none of its banking centers are located in a metropolitan statistical area (MSA).

DESCRIPTION OF INSTITUTION

FNB is a \$342 million institution that is headquartered in Ardmore, Oklahoma, located in South Central Oklahoma. The bank has eight branches, all located within the state of Oklahoma and within its AA. FNB is a subsidiary of The First National Corporation of Ardmore, Incorporated (FNC), a one-bank holding company headquartered in Ardmore, Oklahoma. The main bank, ATM, and drive-up facility is located at 405 West Main Street, Ardmore, Oklahoma. The tables below provide information on FNB's branch and ATM locations.

FNB'S BRANCH LOCATIONS*		
Location	Address	City
Main Bank	405 West Main Street	Ardmore
Airpark Branch	651 General Drive; Suite 1	Ardmore Airpark
Broadway Branch	1226 West Broadway	Ardmore
12 th Street Branch	1402 12 th Street N.W.	Ardmore
Lone Grove Branch	Highway 70 & Newport Road.	Lone Grove
Marietta Branch	1101 Memorial Drive	Marietta
Ringling Branch	125 West Main	Ringling
Sulphur Branch	2013 West Broadway	Sulphur
Velma Branch	4 th & Main Street	Velma

** Branch locations with Drive-up facilities.*

FNB'S ATM LOCATIONS		
Location	Address	City
Main Bank	405 West Main Street	Ardmore
Airpark Branch	651 General Drive	Ardmore
Hardy Murphy Coliseum	600 S. Lake Murray Drive	Ardmore
Broadway Branch	1226 W. Broadway	Ardmore
12 th Street Branch	1402 12 th Street N.W.	Ardmore
OK One Stop	2500 West Broadway	Ardmore
Lone Grove Branch	Highway 70 & Newport Road	Lone Grove
Marietta Branch	1101 Memorial Drive	Marietta
Ringling Branch	125 West Main Street	Ringling
Sulphur Branch	2013 West Broadway	Sulphur
Speedy G's	102 Purdue Street	Velma
Velma Branch	4th & Main Street	Velma

As of December 31, 2008, FNB reported total assets of \$342 million, Tier 1 capital of \$24 million, and a loan-to-deposit ratio of 60 percent. Gross loans were reported to be \$160 million, or 47 percent of total assets. Specifically, the bank's loan portfolio consists of the following:

LOAN CATEGORY	\$ (000)	%
Commercial Real Estate	\$51,557	32.19
Commercial and Industrial	\$48,442	30.24
Residential Real Estate	\$34,430	21.50
Individual Loans	\$22,566	14.09
Other	\$3,172	1.98
Total	\$160,167	100.00

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. A "**Satisfactory**" rating was assigned at the last Community Reinvestment Act review, which was performed as of January 30, 2006.

The bank's primary focus is to serve commercial and consumer customers in its AA. FNB meets these needs by providing various types of loan and deposit products and services. The ability to lend in its AA continues to be impacted by very strong competition from a substantial number of other banks and financial institutions or branches of those institutions.

Description of Assessment Area

FNB's AA consists of thirty census tracts in five different Oklahoma counties: Carter; Jefferson; Love; Murray; and, Stephens County. None of these counties are located in a Metropolitan Statistical Area (MSA). Of the thirty census tracts in FNB's AA, no tracts are low-income, four tracts are moderate-income, twenty-two tracts are middle-income, and four tracts are upper-income.

According to the 2000 U.S. Census Data, FNB's AA has a population of 117,075 people. Additionally, there were 33,506 families and 46,630 households. Of the 33,506 families, 19 percent, 18.4 percent, 21 percent, and 41.6 percent report low, moderate, middle and upper-income, respectively. The median family income for the AA is \$35,517 and HUD's 2008 updated MSA Median Family Income is \$42,400. The AA contains 54,349 housing units with 34.5 thousand or 63.5 percent being owner occupied. Households below the poverty level are 16 percent and households that receive public assistance total 6 percent.

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 which are located in the AA. The community contact confirmed banking in South Central Oklahoma is very competitive and credit needs are generally met.

Manufacturing, wholesale distribution, agriculture, aviation and energy are the leading sources of income for the area. Michelin North America, Mercy Memorial Health Center, and Dollar General Corporation remain the largest employers in the AA. Noble Energy, Inc and Valero Energy Corporation also have large facilities in Ardmore. The local economy is stable and unemployment continues to be low. Despite national economic declines, local retail sales are growing. Ardmore serves as the primary retail center for a seven county area of Southern Oklahoma. Over 400 general merchandise and specialty stores create retail sales of approximately \$500 million per year.

Ardmore also has a growing research and development community. The Samuel Roberts Noble Foundation is highly regarded worldwide for research in biomedicine, plant biology and agriculture. IMTEC Corporation designs and manufactures precision dental specialty products from its worldwide headquarters in Ardmore, Oklahoma. Under the guidance of the Ardmore Development Authority, a technology based business incubator has been developed for start-up technology oriented companies.

A community contact was conducted during this review to ascertain community credit needs, to determine bank involvement in the community, and to gather local economic and demographic information. The contact felt that the local economy is relatively good despite the weak national economy. The local economy benefits from a diversified industry base and the oil and gas industry. Local retailers report increased sales over last year and tax revenues continue to increase. Unemployment remains low. According to the contact, affordable housing continues to be a critical need, particularly after the February 10, 2009 tornado that struck Lone Grove destroying over 118 homes. The contact stated the local banks are very involved in community development projects.

Selected information about the demographics of FNB's AA is detailed in the table below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	33,506
Number of Households	46,630
Geographies	
Number of Census Tracts/BNA	30
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	13.33%
% Middle-Income Census Tracts/BNA	73.34%
% Upper-Income Census Tracts/BNA	13.33%
Median Family Income (MFI)	
2000 MFI for AA	\$35,517
2008 HUD-Adjusted MFI	\$42,400
Economic Indicators	
Unemployment Rate	2.64%
2000 Median Housing Value	\$54,565
% Of Households Below Poverty Level	15.98%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's performance under the Lending Test is rated "*Satisfactory*"

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The bank's loan-to-deposit ratio at December 31, 2008 was 60 percent. The bank's average quarterly loan-to-deposit ratio from March 31, 2006 through December 31, 2008 was 61 percent. This average was compared to the average of five similar banks located in the FNB's AA with total assets between \$150 million and \$450 million, for the same time period. These average loan-to-deposit ratios are listed in the following table.

LOAN-TO-DEPOSIT RATIOS		
Institution	000's Total Assets As of 12/31/08	Average Loan -to-Deposit Ratio
First Bank & Trust Company, Duncan, OK	\$439,358	88.68%
Citizens Bank of Ada, Ada, OK	\$176,016	86.52%
The Pauls Valley National Bank, Pauls Valley, OK	\$150,271	71.12%
Citizens Bank and Trust Company of Ardmore, Ardmore, OK	\$171,357	68.34%
First National Bank & Trust Company of Ardmore, OK	\$341,987	60.96%
American National Bank, Ardmore, OK	\$178,968	60.83%

Source: Institution Reports of Condition from March 31, 2006 to December 31, 2008

FNB's loan-to-deposit ratio is less than the average of the five comparable banks of 75.10 percent. The bank's slightly lower average loan-to-deposit ratio is primarily attributed to its history of conservative operations. The bank's ratio; however, falls within the range of the comparable bank's average loan-to-deposit ratios during the March 31, 2006 through December 31, 2008 review period.

Lending in Assessment Area

FNB's lending in its AA meets the standard for satisfactory performance. A substantial majority of the number and dollar amount of home mortgage, vehicle and small business loans were originated within the bank's AA. As depicted in the table below, 95.79 percent of the number and 84.44 percent of the dollar amount of loans were originated in FNB's AA.

LENDING IN AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	30	90.9%	3	9.1%	33	\$1,307	73.1%	\$481	26.9%	\$1,787
Vehicle	33	100.0%	0	0%	33	\$401	100.0%	0	0%	\$401
Small Business	28	96.6%	1	3.4%	29	\$1,198	95.6%	\$55	4.4%	\$1,253
Totals	91	95.8%	4	4.2%	95	\$2,906	84.4%	\$536	15.6%	\$3,441

Source: Sample of 2007- 2008 home mortgage, vehicle and small business loans

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

FNB's borrower distribution of home mortgage loans, vehicle loans and small business loans in the AA is reasonable and meets the standard for satisfactory performance.

The bank's distribution of home mortgage loans is satisfactory. While the percentage of home mortgage loans to low-income and moderate-income borrowers is less than the percentage of low- and moderate-income families in the AA, this performance is not unreasonable in light of the fact that these families have a difficult time qualifying for conventional home mortgage products.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage	18.99%	16.67%	18.36%	6.67%	21.06%	33.33%	41.58%	43.33%

Source: Home loan sample 2007--2008; U.S. Census data

FNB 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 also participates in the *Rural First-Time Homebuyer Program (RFHP)* provided through the Federal Home Loan Bank of Topeka. Low- to moderate income borrowers are provided \$4 thousand of RFHP funds which 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 three loans under this program totaling \$98 thousand. The program is still active and available to potential borrowers who qualify for the program.

The distribution of vehicle loans to low-income borrowers is less than the percentage of low-income households in the AA. However, the percentage of vehicle loans to moderate-income borrowers significantly exceeds the percentage of moderate-income households in the AA for an overall satisfactory performance.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	24.21%		14.64%		18.68%		42.46%	
Vehicle Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	15.15%	11.21%	24.24%	20.76%	27.27%	24.05%	33.34%	43.98%

Source: Loan sample of 2007- 2008 vehicle loans

The bank’s borrower distribution to businesses with revenues of \$1 million or less is satisfactory. The percentage of bank loans by dollar and number exceeded the percentage of reporting businesses with revenues of \$1 million or less in the AA. However, note that 51.56 percent of the businesses in the AA did not report income data.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	45.46%	2.98%	*51.56%	100%
% of Bank Loans in AA by #	78.57%	21.43%	0.00%	100%
% of Bank Loans in AA by \$	72.77%	27.23%	0.00%	100%

Source: Loan sample of 2007-2008 small business loans; Dunn and Bradstreet data
 * 51.56% of the businesses did not report income data

Geographic Distribution of Loans

FNB’s geographic distribution of small business, home mortgage and vehicle loans in FNB’s AA is reasonable and meets the standard for satisfactory performance. There are no low-income census tracts in FNB’s AA and only four moderate tracts representing 13.33 percent of the tracts in the AA. As a result, less weight was given to the geographic distribution and more weight was given the income distribution when assessing the bank’s overall lending performance.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business Loans	0.00%	0.00%	8.88%	7.14%	74.75%	60.71%	16.37%	32.15%

Source: Loan sample of 2007-2008 small business loans; Dunn and Bradstreet data

The geographic distribution of home mortgage loans in moderate-income tracts is less than the percentage owner occupied housing in the moderate tracts. Low penetration is partly due to the relatively low level of owner occupied housing in these tracts. Also, two of the moderate tracts are located in Duncan, OK and became part of the bank’s AA with the acquisition of the Velma, OK bank last year. The Velma branch is a small rural branch that does little mortgage lending and to date has minimal market share in the town of Duncan, which is located 20 miles west of the Velma branch.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage	0.00%	0.00%	11.91%	3.33%	69.53%	90.00%	18.56%	6.67%

Source: Sample of 2007- 2008 home mortgage; 2000 U.S. Census data

The distribution of vehicle loans to households in moderate-income tracts is satisfactory, given the small number (four) of moderate census tracts and their relatively recent addition to the AA as described above.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	0.00%	0.00%	10.89%	6.06%	60.60%	78.79%	28.51%	15.15%

Source: Loan sample of 2007 and 2008 vehicle loans

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development (CD) Test is **"Satisfactory"**

CD Loans, Qualified Investments, and CD Services Test

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 is very active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations which 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 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 (ArDA), which is the economic development division of the Ardmore Chamber of Commerce.

Community Development Loans

Qualifying community development loans are those which meet the definition of community development, as defined in the CRA regulation. The bank's community development loans target affordable housing, which has been identified as a critical need in the area.

FNB extended a \$975 thousand construction loan to build 11 affordable housing units in the Hickory Ridge Addition located in Ardmore, Oklahoma. Homes will range in size of between 1,400 and 1,600 square feet. Total estimated construction costs, including the cost of the lot, will average \$67 per square foot. In November 2004, the Ardmore Housing Authority and the Ardmore Chamber of Commerce commissioned CDS of Houston, TX, a market research company, to conduct a survey to determine the demand for affordable housing in Ardmore. The study determined that there are 700 households that would be interested in purchasing a house in the \$85 to \$110 thousand range.

The bank funded a \$111 thousand loan for land development and construction of affordable homes to be located in the Lewis Addition in Wilson, Oklahoma. This housing project was initially started by the Southern Oklahoma Development Authority back in 1996; however, the land was never fully developed. The City of Wilson has committed to helping the borrower with completing the development of the land. The homes to be constructed will be in the 1,500 square foot range.

Other loans funded by the bank which support affordable housing include a renewal of a \$101 thousand loan that was used to rehabilitate multi-family housing. The loan financed the repair of two buildings with 15 units and rents of \$215 per week, which is well below the weighted average monthly gross rents for the county. Also, the bank funded a \$60 thousand loan for the rehabilitation of a multi-family dwelling in Ardmore, OK. The dwelling has 5 rental units with monthly rents of \$400 per unit, which is less than the weighted average monthly gross rent for the county.

The bank also originated a \$350 thousand loan to a nonprofit organization to build a multi-tenant building (group home) to provide independent living quarters for people with severe handicaps. The building will house living quarters for 6 to 10 individuals. This organization provides an array of social services for the handicapped and low- to moderate-income individuals. The bank has previously financed three other group homes for this organization which have since been repaid. The bank also made a \$160 thousand loan to this organization to build an office building for operations.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have community development as their primary purpose, as defined in the CRA regulation. During the evaluation period, the bank made numerous qualified donations totaling \$404 thousand in FNB's AA. The bulk of the donations are to the local hospital as part of the bank's commitment to donate \$500 thousand to the hospital over the next five years. Other donations are to local nonprofits which support community services targeting 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. MMHC reports that a high percentage of their patients are low- and moderate-income individuals. MMHC meets the health care needs of the rural population with their network of clinics 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 made donations totaling \$300 thousand since 2006 as part of their \$500 thousand commitment over the next five years for hospital expansion.
- ***Ardmore Chamber of Commerce/Ardmore Development Authority (ArDA)***
 FNB 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. AMSA 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.
- ***Lone Grove Relief Fund***
The bank established an account at the Lone Grove branch to take donations to provide relief funds for those impacted by the February 10, 2009 tornado that struck Lone Grove, OK. Nine people lost their life in this tornado and over 118 homes were destroyed. The bank contributed \$25 thousand to the relief fund.

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 (ArDA)***
Ringling Chamber of Commerce
Love County Chamber of Commerce
Sulphur Chamber of Commerce
Bank officers serve and hold several positions in these Chambers of Commerce. All of the Chambers are focused on community development. The Ardmore Chamber of Commerce is extremely 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***
Bank officers serve on the Board and Appropriations Committee 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. A FNB officer serves as President and Treasurer for this organization.

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.

RESPONSES TO COMPLAINTS

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