



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

March 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank and Trust Company
Charter Number 12591**

**101 East Main Street
Ada, Oklahoma 74821**

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 The First National Bank and Trust Company, Ada, Oklahoma as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of March 23, 1998. 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 Outstanding.

- First National Bank and Trust Company of Ada (FNB&T) has been a leading lender in its assessment area since 1994 as indicated by substantial increases in its loan portfolio and market share.
- FNB&T has demonstrated an exceptional willingness to extend loans to small businesses and small farms. Especially noteworthy are the efforts to extend development loans to businesses that have helped create and retain jobs in the community targeting low-and moderate-income individuals.
- FNB&T has expanded services which have enhanced the availability of credit. A new branch location was opened in northeast Ada in June 1997, and three new automatic teller machines have been added for a total of six. Extended hours of operation are provided at the branch.
- Fully three-quarters of FNB&T's outstanding loans are within its assessment area and over 85 percent of the most recent originations have come from the assessment area.
- Distribution of FNB&T's loans reflect penetration in all areas of the community, including low-and moderate-income areas.

The following table indicates the performance level of The First National Bank and Trust Company, Ada, Oklahoma, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank and Trust Co.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
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 CRA examination.		

DESCRIPTION OF INSTITUTION

First National Bank and Trust Company of Ada has its main headquarters in Ada, Oklahoma. It is a subsidiary of First Ada Bancshares, Inc., an \$18 million bank holding company.

The main bank is located at 101 East Main Street in Ada, Oklahoma. A drive-in facility (motor bank) is located at 12th and Rennie, Ada, Oklahoma. A full service branch, that opened June 2, 1997, is located at 1800 Arlington in northeast Ada. The branch offers extended hours of operations. Six automated teller machine (ATM) locations are available throughout the city. One of the ATMs is located in Block Number Area (BNA) #9891, which is a low income BNA. The main bank, motor bank, and two ATMs are in a moderate income BNA. FNB&T's primary focus is to serve commercial, agriculture, and consumer customers in the community and surrounding communities. FNB&T meets these needs by providing a wide variety of loan and deposit products, as well as other financial services.

As of December 31, 1997, FNB&T's total assets equaled \$168,058,000, of which \$80,921,000, or 48.15 percent, were composed of various types of loans to individuals and businesses. The \$80,921,000 in loans and leases outstanding consisted of \$46,918,000 in real estate loans, (57.98 percent), \$17,783,000 in commercial loans, (21.98 percent), \$11,884,000 in consumer loans, (14.69 percent), \$1,003,000 in agriculture loans, (1.23 percent) and \$3,333,000 in other loans, (4.12 percent).

In addition to the loans held by FNB&T, the mortgage department originates long term mortgage loans through secondary market investors. In 1997, the mortgage department originated 410 mortgage loans totaling \$22,075,536. This volume significantly exceeded originations compared to the next highest institution, which reflected 231 mortgage loans originated in 1997 for a total of \$8,242,473. At year-end 1997, the mortgage department was servicing \$13,410,000 in loans sold to the secondary market.

Two community contacts were made during this review. Each emphasized FNB&T's community development efforts. The bank is recognized as the leader in the community in terms of recruiting and establishing new businesses to the community, most of which target employment for low-and moderate-income individuals.

FNB&T has sufficient resources to devote to meeting community credit needs. There are no known legal, financial, or other miscellaneous factors impeding management's ability to help meet the credit needs of the assessment area.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by FNB&T's board of directors meets the requirements of the regulation. It does not arbitrarily exclude any low-or moderate-income geographies. The assessment area is described in more detail below.

First National Bank and Trust Company of Ada Assessment Area

The assessment area encompasses the eleven BNA's in Pontotoc County in southeast Oklahoma. FNB&T's main bank and drive-in facility are located in BNA #9892. The branch is located in BNA #9888. (Note, there are seventeen BNA's for Pontotoc County per the Census Bureau. However, six of these do not currently have any designated geographic area and exist for future growth in the population.)

The adopted assessment area is justified by the following internally generated statistics. For all loan types on the books at February 28, 1998, 75.91 percent were made within the assessment area. This represented 75.32 percent of the loan dollars outstanding at the time.

Based on 1990 census data, the United States Census Bureau identifies one of the eleven BNA's tracts as low income. This is BNA #9891 and is located in northwest Ada. BNA #9892 is identified as moderate income. BNA's #9886, #9887, #9889, #9893, #9894, #9895, #9896 are middle income. BNA's #9888 and #9890 are upper income.

United States Census Bureau information as of 1990 reflected a total population of 34,119 in the eleven BNA's. The area contained 15,094 housing units with 9,190 or 60 percent owner occupied. Additionally, there were 9,406 families and 13,387 households in the area. Sixty-seven percent of the households derive their income from wages and salaries. The largest employment sectors were services, retail trade, and manufacturing.

The 1990 census median family income for the assessment area was \$24,280. Median household income for the assessment area was \$19,255. Census median income for non-MSA locations in the State of Oklahoma was \$24,139. This number was updated to \$30,800 in 1997.

The assessment area is served by three other chartered banks with headquarters in Ada, Oklahoma, as well as stand alone banks in Allen, Roff, and Stonewall. The area is also served by branch locations of two savings associations and upwards of 19 finance companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

The loan to deposit ratio is more than reasonable and exceeds the standard for satisfactory performance when adjusted for the bank's large portfolio of serviced mortgage loans and above average levels of public funds deposits. The bank's unadjusted loan to deposit ratio is very reasonable given the institution's size, financial condition, and the credit needs of the assessment area. Below is a comparison of the bank's performance in this area on both an unadjusted and adjusted basis. The nature and propriety of the adjustments as well as other appropriate data are also detailed.

Unadjusted Loan to Deposit Ratio:

On an unadjusted basis, the average quarterly loan to deposit ratio from March 31, 1995 through December 31, 1997 was 51.17 percent. The ratio as of December 31, 1997 was 55.43 percent. The low ratio for the period was 47.71 percent at June 30, 1997. The high ratio for the period was the 55.43 percent at December 31, 1997.

On an unadjusted basis, FNB&T's ratio compares well to the average loan to deposit ratio for the twenty-six banks operating in Pontotoc and the contiguous counties in east central Oklahoma. The average loan to deposit ratio for this group of banks was 58.58 percent at December 31, 1997. This was up from 50.65 percent at June 30, 1995. The low ratio in this group was 25.72 percent and the high ratio was 87.57 percent at December 31, 1997.

FNB&T's unadjusted ratio also compares very well to the loan to deposit ratios of the other two commercial banks historically headquartered in Ada, Oklahoma. At December 31, 1997, the Citizens Bank of Ada reported a ratio of 52.84 percent and the Oklahoma State Bank reported a ratio of 25.72 percent.

Adjusted Loan to Deposit Ratio:

Because of the bank's large portfolio of serviced mortgage loans sold to the secondary market, as well as an above average volume of public funds deposits, an effort was made to analyze the bank's loan to deposit ratio after adjustments for these factors. In order to ensure analytical equity, the entire group of twenty-six comparable banks was also adjusted for these factors. This analysis yielded the following results.

On an adjusted basis, the average quarterly loan to deposit ratio from March 31, 1995 through December 31, 1997 was 72.5 percent. The ratio as of December 31, 1997 was 82 percent. The low ratio for the period was 65 percent at September 30th and December 31, 1995. The high ratio for the period was the 84 percent at March 31, 1997.

Loan to Deposit Ratio (continued)

On an adjusted basis, FNB&T's ratio compares very well to the average adjusted loan to deposit ratios for the twenty-six banks operating in Pontotoc and the contiguous counties in east central Oklahoma. The average adjusted loan to deposit ratio for this group of banks was 69 percent at December 31, 1997. This was up from 61 percent at June 30, 1995. The low ratio in this group was 28 percent and the high ratio was 151 percent at December 31, 1997.

FNB&T's adjusted ratio also compares extremely well to the loan to deposit ratios of the other two commercial banks historically headquartered in Ada, Oklahoma. At December 31, 1997, the Citizens Bank of Ada reported an adjusted ratio of 58 percent and the Oklahoma State Bank reported an adjusted ratio of 28 percent.

Data justifying adjustments to loan to deposit ratio:

Serviced mortgage portfolio: Serviced mortgage loans are loans originated by the bank according to secondary market guidelines. The loans are then either directly funded by secondary market investors or sold to secondary market investors with servicing retained by FNB&T. Servicing involves the collection and application of principal and interest payments as well as the management of escrow accounts for payment of insurance and property taxes.

Review of quarterly call report data filed with the Federal Deposit Insurance Corporation (FDIC) noted the following. As of December 31, 1997, FNB&T had a portfolio of serviced mortgage loans totaling \$13,410,000. This is up from \$9,029,000 as of December 31, 1995. Of the sixteen banks in Oklahoma offering this product in this format at December 31, 1997, FNB&T's portfolio would be the sixth largest in the state. Three other banks in the group of twenty-six banks in the comparative analysis also offer the product and have larger portfolios.

Volume of public funds deposits: Public funds deposits include the deposits of U.S. Government agencies or political subdivisions, as well as the deposits of state, county, and municipal government entities. These deposits require the pledging of high quality assets as security for the deposited funds.

Review of quarterly call report data filed with the FDIC noted that the average volume of public funds deposits to assets for all 320 active banks in the state of Oklahoma at December 31, 1997 was seven percent. As of December 31, 1997, FNB&T had public fund deposits of \$30,516,000. This is up from \$14,944,000 at December 31, 1995. The year-end 1997 total equated to more than 18 percent of FNB&T's total assets, well above the state average. Of the twenty-six banks in the comparative analysis, FNB&T's 18 percent total was the highest. The next highest total was 13 percent of assets.

Loan to Deposit Ratio (continued)

On a statewide basis, FNB&T’s dollar volume of public funds deposits ranks sixth out of the 320 banks. As a percentage of assets, the bank ranks seventh in public funds deposits. It was also noted that of the other two banks historically headquartered in Ada, each had public funds deposit percentages approximating eight percent of total assets at year-end 1997, slightly above the state average.

Other data justifying exceeds standard for satisfactory performance:

Other information reflecting FNB&T’s leadership position as a lender in the Ada community and Pontotoc County not reflected in the loan to deposit ratio, includes comparisons of loan and deposit growth, and market share of loans and deposits, relative to the other two full service commercial banks historically headquartered in Ada. The table below illustrates each bank’s growth in loans and deposits for the three year period ending December 1997, as well as the changes in market share among the three banks.

Volumes of Loan and Deposit Growth and Market Share						
Name of Bank	Loan Growth 1994 to 1997	Deposit Growth 1994 to 1997	Loan Market Share 1994	Loan Market Share 1997	Deposit Market Share 1994	Deposit Market Share 1997
First National Bank & Trust Co. of Ada	41.64%	32.98%	49.99%	54.99%	40.83%	46.62%
Citizens Bank of Ada	22.76%	7.37%	32.29%	30.78%	29.70%	27.38%
Oklahoma State Bank	3.44%	2.76%	17.72%	14.23%	29.47%	26.00%

The above data strongly validates FNB&T’s leadership position in the assessment area as it reflects greater responsiveness to both lending and deposit generating opportunities. Specifically, it should be noted that although FNB&T’s deposit growth was high at nearly 33 percent, loan growth was even higher indicating active deployment of deposited funds into loans. Also, the fact that FNB&T was able to increase both its loan market share and deposit market share relative to the other two banks indicates that its efforts were greater in an increasingly competitive market for both deposits and loans.

Lending in Assessment Area

A substantial majority of credit extended is within the assessment area. This is indicative of performance that exceeds the standard for satisfactory performance. Analysis of a sample of twenty consumer loans, fifty-seven residential loans, and eleven business and agricultural loans extended during 1996-97 and year-to-date 1998 noted the following results:

Loan Sample	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
Consumer (20 loans for \$161,330)	75.00%	25.00%	76.39%	23.61%
Residential (57 loans for \$3,370,452)	92.98%	7.02%	95.26%	4.74%
Business/Agricultural (11 loans for \$1,468,135)	72.73%	27.27%	78.04%	21.96%
Combined Totals (88 loans for \$4,999,917)	86.36%	13.64%	89.60%	10.40%

The sample data corroborates the internal reports used to justify the assessment area. These reports reflect that 75.91 percent of all loans on the books as of February 28, 1998 come from Pontotoc County. This total equates to 75.32 percent of the dollar amount of loans.

Lending to Borrowers of Different Incomes

The distribution of lending reflects a reasonable penetration among borrowers of different income levels and a strong penetration of small businesses and farms within the assessment area.

However, it was noted that opportunities for the bank to penetrate low-and moderate-income individuals are constrained to a certain extent, particularly with regard to residential lending. This is because the Chickasaw Nation headquarters and the Chickasaw Housing Authority are located in Ada, Oklahoma, and there are a large number of homes funded for American Indians by the Authority, either as a purchase or as a rental. The Chickasaw Housing Authority has reported to the bank that there are currently 383 mutual help homes (home ownership) in Pontotoc County, 300 paid for homes that were previously funded by the Authority, and 150 low income family units in Pontotoc County which are subsidized by the Authority. The Chickasaw Nation employs 1,400 people of which 1,000 fall into the low to moderate income level. The Nation funds several services for tribal members such as housing, assistance with utilities, elderly/youth programs, clothing, education assistance, and a food bank.

The following table reflects the distribution of a random sample of 161 loans comprised of first mortgage loans and all types of consumer loan products provided.

Percentage of Residential and Consumer Loans to Different Income Levels				
Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (161)	14.91%	14.29%	19.88%	50.92%

The number of loans to each income group compares reasonably well to the distribution of households and families by income level from the 1990 census illustrated in the table below.

Distribution of Households and Families across Income Categories				
Description	Low Income (< 50% of Median)	Moderate Income (50-80% of Median)	Middle Income (80-120% of Median)	Upper Income (>120% of Median)
% of Households	28.97%	15.89%	15.79%	39.39%
% of Families	23.74%	17.80%	18.76%	39.70%

Lending to Borrowers of Different Incomes (continued)

The following table uses revenue data collected from the sample of eight business and agricultural loans selected for review. The number of loans to the three groups compares very well to the distribution of companies and farms by revenue obtained from the 1990 census data.

Percentage of Small Business/Agricultural Loans to Different Income Levels			
Description	% with less than \$500,000 in revenues	% with \$500,000 to \$1,000,000 in revenues	% with greater than \$1,000,000 in revenues
Number of Loans (8)	87.50%	12.50%	0%
Dollars of Loans (1,145,702)	36.66%	63.34%	0%
Number of Companies/Farms (949)	82.09%	9.17%	8.75%

Other information demonstrating FNB&T’s innovativeness and proactiveness in lending to small farms and businesses is its active participation in the guaranteed loan programs offered by the Farmers Service Administration (FSA) and the Small Business Administration (SBA). At the time of this examination, FNB&T had some \$894,000 in outstanding loans guaranteed by FSA and some \$1,911,000 in outstanding loans guaranteed by the SBA.

The bank has made several community development loans approximating \$4,000,000 in outstanding and committed balances. More information on the nature of these loans is provided under Investments and Services.

Overall, FNB&T’s performance is deemed to exceed the standard for satisfactory performance under this criteria. This conclusion is based on the reasonable penetration of borrowers of different income levels, despite identified constraints, and the very strong penetration of small businesses and small farms.

Geographic Distribution of Loans

A geographic distribution of loans within the assessment area, as detailed on internal reports of all loans outstanding as of February 28, 1997, reflects a reasonable distribution throughout the assessment area and meets the standard for satisfactory performance. It is specifically noted that each of the eleven BNA's reflects activity. Additionally, the moderate income BNA reflects activity well above its proportionate share of population. Penetration of the middle income BNA's is lowest, but five of these seven BNA's are outside of Ada proper. Additionally, three of those five, containing some 40 percent of the population of the middle income BNA's, are served by stand alone community banks in Roff, Allen, and Stonewall. The table below reflects the geographic distribution of all outstanding loans and their relationship to the volume of BNA types in the assessment area and the distribution of population in the BNA types per the 1990 census.

Distribution of all Outstanding Loans by Block Number Area Types				
Description	Percentage of Total BNA's	Percentage with Loans	Percentage of Total Loans to BNA's	Percentage of Population in BNA's
Low Income BNA's (1)	9.09%	100% (1 of 1)	3.32% (98 of 2,955)	6.71%
Moderate Income BNA's (1)	9.09%	100% (1 of 1)	21.96% (649 of 2,955)	5.09%
Middle Income BNA's (7)	63.64%	100% (7 of 7)	28.09% (830 of 2,955)	61.59%
Upper Income BNA's (2)	18.18%	100% (2 of 2)	46.63% (1,378 of 2,955)	26.61%
Total BNA's (11)	100.00%	100% (11 of 11)	100.00%	100.00%

Response to Complaints

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

Fair Lending Matters

No practices were noted which were intended to discourage types of credit offered.

Management solicits credit applications from all segments of the community, including low- and moderate-income neighborhoods. The examination revealed substantial compliance with all the provisions of the anti-discrimination laws and regulations. The board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.

Investments and Services

In addition to strong lending performance, FNB&T has identified additional ways to service the community.

Access to bank services is excellent. The main bank and motor bank are centrally located in downtown Ada. The new full service branch located in northeast Ada offers extended hours of operation to meet the banking needs of the people working and conducting business in the area. Six automated teller machine (ATM) locations are available throughout the city. Three of the ATMs were just recently added.

Community development efforts are also commendable. The bank has made several community development loans approximating \$4,000,000 in outstanding and committed balances. Examples include various types of loans to the Chickasaw Nation, which provide community and social services as well as jobs targeted to low-and moderate-income individuals. Another example includes a loan for approximately \$1,500,000 to a local church which provides services for disabled children and adults. Other community development loans include loans to small businesses and farms which have revitalized the community and have provided jobs for low-and-moderate income individuals. Many of the economic development loans are a result of the Ada Economic Development Corporation and the FNB&T's efforts to recruit and establish new businesses to the community. FNB&T's President and Chairman of the Board are active members of the Ada Economic Development Corporation.

The innovative and proactive nature of FNB&T is also demonstrated by its recently received grant from the Federal Home Loan Bank (FHLB) of Topeka, Kansas. The purpose of the grant is to help first time home buyers. Specifically, the FHLB has set aside \$250,000 to target rural and non-metropolitan areas. The monies can be used to help finance newly constructed homes, existing homes, and homes to be purchased or rehabilitated. This program provides up to \$2,500 for down payment, closing costs, or rehabilitation assistance to first time home buyers with incomes less than 80 percent of the area median income.