



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 29, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

405 West Main Street
Ardmore, OK 73401-0000

Office of the Comptroller of the Currency

ADC-OKLAHOMA CITY Field Office
The Harvey Parkway Building 301 NW 63rd Street, Suite 490
Oklahoma City, OK. 73116-7908

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 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 in 2010 and 2011. Conclusions regarding the Community Development Test are based on community development activities from February 24, 2009 through May 29, 2012.

A Data Integrity examination was conducted in February 2012 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 since none of its banking centers are located in a metropolitan statistical area.

DESCRIPTION OF INSTITUTION

First National Bank & Trust Company (FNB) is a \$452 million institution that is headquartered in Ardmore, Oklahoma, located in South Central Oklahoma. The bank has eight locations, all located within the state of Oklahoma and within its AA. FNB is a subsidiary of The First National Corporation of Ardmore, Inc., a one-bank holding company headquartered in Ardmore, Oklahoma. The main bank, ATM, and drive-in facility are located at 405 West Main Street, Ardmore, Oklahoma. Since the previous CRA evaluation, the Airpark Branch was closed in August 2010 and the Airpark ATM and Hardy Murphy Coliseum ATM were removed. The tables below provide information on FNB's branch and ATM locations. All of the branch locations have a drive-in facility.

FNB's BRANCH LOCATIONS		
Location	Address	City
Main Bank	405 West Main Street	Ardmore
Broadway Branch	1226 West Broadway	Ardmore
12 th Street Branch	1402 12 th Street North West	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

FNB's ATM LOCATIONS		
Location	Address	City
Main Bank	405 West Main Street	Ardmore
Broadway Branch	1226 West Broadway	Ardmore
12 th Street Branch	1402 12 th Street North West	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 Store	102 Purdue Street	Velma
Velma Branch	4th & Main Street	Velma

The bank's primary focus is to serve commercial and consumer customers located in the AA. FNB meets these needs by providing various types of loan and deposit products and services, as well as Internet Banking, Telephone Banking and full Trust and Asset Management services. Bank lobby services are provided Monday through Friday at all locations. All locations have Saturday drive-in services, except the Velma branch. 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.

As of December 31, 2011, FNB's total assets equaled \$452 million, of which 161 million or 36 percent were comprised of various types of loans to individuals, commercial businesses, and commercial and residential real estate. Specifically, the bank's loan portfolio consists of the following:

LOAN CATEGORY	\$ (000)	%
Commercial Real Estate	\$54,842	33.96%
Commercial and Industrial	\$48,054	29.76%
Residential Real Estate	\$33,967	21.04%
Individual Loans	\$21,333	13.21%
Other	\$3,284	2.03%
Total	\$161,480	100.00%

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. FNB is involved in and provides support to meet the community's financial needs. The bank received an overall rating of "*Satisfactory*" at the last CRA evaluation dated February 23, 2009.

Description of Assessment Area

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

FNB's AA consists of thirty contiguous 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. 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. Two of the middle-income tracts in Jefferson County are designated distressed or underserved nonmetropolitan geographies. The main bank and five of the branches are located in middle-income census tracts, with the Ringling branch located in one of the distressed or underserved tracts. The two branches in Ardmore are located in upper-income census tracts.

The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

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	\$37,293
2011 HUD-Adjusted MFI	\$48,800
Economic Indicators	
Unemployment Rate	4.7%
2000 Median Housing Value	\$54,565
% Of Households Below Poverty Level	15.98%

According to the 2000 U.S. Census Data, FNB's AA has a population of 117,075 people. Although there are not any low-income census tracts in the AA, there are low- and moderate-income families in the AA. Of the 33,506 families, 19 percent are low-income families and 18 percent moderate-income families. 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.

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 Ardmore Development Authority

owns and operates four industrial parks. The local economy is stable and unemployment continues to be below national levels. 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 \$505 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. Under the guidance of the Ardmore Development Authority and in cooperation with the Noble Foundation and the Southern Oklahoma Technology Center, a technology based business incubator has been developed for start-up technology oriented companies.

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.

A community contact was conducted during the examination to help ascertain the credit needs of the AA. The contact felt that the economy of Ardmore appears to be more stable than the surrounding areas. According to the contact, there is a need for small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's performance under the Lending Test is rated "*Satisfactory*". This Performance Evaluation assesses FNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate FNB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 25 commercial loans, 28 residential real estate and 25 consumer loans that originated from January 1, 2010 through December 31, 2011 were selected. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's LTD ratio at December 31, 2011 was 45 percent. The bank's average quarterly LTD ratio from March 31, 2009 through December 31, 2011 was 53 percent. This average was compared to the average of four similar banks located in FNB's AA or the surrounding counties, with total assets between \$250 million and \$600 million, for the same time period. These average LTD ratios are listed in the following table.

LOAN-TO-DEPOSIT RATIOS		
Institution	Total Assets as of 12/31/11 (000's)	Average LTD Ratio
<i>First National Bank & Trust Company of Ardmore, OK</i>	\$464,214	52.60%
American National Bank, Ardmore, OK	\$305,599	57.63%
The First National Bank and Trust Company, Chickasha, OK	\$412,302	77.74%
First Bank & Trust Company, Duncan, OK	\$507,269	80.61%
Vision Bank, National Association, Ada, OK	\$538,438	86.91%

Source: Institution Reports of Condition from March 31, 2009 to December 31, 2011

FNB's LTD ratio is less than the average of the four comparable banks of 75.25 percent. The bank's lower average LTD ratio is partially attributed to the bank's history of conservative operations. Also contributing to the lower ratio is the growth in deposits that the bank has not

been able to match with loan growth. Some of the deposit growth is the result of increased deposits from the oil and gas industry, which has reduced the need to borrow. The Ardmore market is also faced with strong competition from several other financial institutions. The bank's ratio; however, is in line with the other comparable Ardmore bank's average loan-to-deposit ratio.

Lending in Assessment Area

FNB's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number of home mortgage, vehicle, and small business loans were originated within the bank's AA. As depicted in the table below, 87.18 percent of the number and 80.56 percent of the dollar amount of loans were originated in FNB's AA.

LENDING IN AA										
Loan Type	Number of Loans				Total	Dollars of Loans (000's)				
	Inside	Outside	#	%		Inside	Outside	\$	%	
Residential Real Estate	20	71.43%	8	28.57%	28	\$1,294	65.32%	\$687	34.68%	\$1,981
Vehicle	24	96.00%	1	4.00%	25	\$236	98.90%	\$3	1.10%	\$239
Small Business	24	96.00%	1	4.00%	25	\$1,340	99.77%	\$3	0.23%	\$1,343
Totals	68	87.18%	10	12.82%	78	\$2,870	80.56%	\$693	19.44%	\$3,563

Source: *Loan Samples*.

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 excellent. While the percentage of home mortgage loans to low-income borrowers is less than the percentage of low-income families in the AA, the percentage of loans to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families. This performance is more than reasonable 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%	15.00%	18.36%	25.00%	21.06%	15.00%	41.58%	45.00%

Source: *Loan sample; U.S. Census data*.

The distribution of vehicle loans to borrowers of different income levels is reasonable. The number of vehicle loans extended to low- and moderate-income borrowers slightly exceeds the percentage of low- and moderate-income households in the AA.

BORROWER DISTRIBUTION OF CONSUMER LOANS IN AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	23.10%	25.00%	15.43%	16.67%	18.27%	25.00%	43.20%	33.33%

Source: Loan sample; U.S. Census data.

The bank's borrower distribution to businesses with revenues of \$1 million or less is reasonable. The percentage of bank loans by number exceeds the percentage of reporting businesses with revenues of \$1 million or less in the AA. However, note that 32.73 percent of the businesses in the AA did not report income data. The percentage of bank loans by dollar is less than the percentage of reporting businesses.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN AA				
Business Revenues (or Sales)	$\leq \$1,000,000$	$> \$1,000,000$	Unavailable/Unknown	Total
% of AA Businesses	64.77%	2.50%	32.73%	100%
% of Bank Loans in AA by #	75.00%	20.83%	4.17%	100%
% of Bank Loans in AA by \$	45.42%	53.83%	0.75%	100%

Source: Loan sample; Dunn and Bradstreet 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-income tracts, representing 13.33 percent of the tracts in the AA. Two of the four moderate-income tracts are located in Duncan, OK, which became part of the bank's AA with the acquisition of the Velma, OK location. The Velma branch is a small rural branch that has limited market share in the town of Duncan. Duncan is located 20 miles west of the Velma branch and has several financial institutions serving those tracts. Another one of the four moderate-income tracts is located in a rural area of Jefferson County, a few miles away from the Ringling branch. 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.

The geographic distribution of small business loans reflects a poor dispersion. The distribution of business loans located in moderate-income census tracts is zero compared to the percentage of small businesses located in those tracts. However, this is mitigated by the small number and location of the moderate-income tracts in the AA, as noted above. Additionally, the other loan samples indicate that the bank is extending loans in the moderate-income census tracts in the AA.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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%	8.04%	0.00%	70.11%	75.00%	21.68%	25.00%

Source: Loan sample; Dunn and Bradstreet data.

The geographic distribution of home mortgage loans is reasonable. The distribution of home mortgage loans located in moderate-income census tracts is near the percentage of owner-occupied housing in the AA. A lower penetration is partly due to the relatively low level of owner occupied housing in these tracts.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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%	10.00%	69.53%	60.00%	18.56%	30.00%

Source: Loan sample; U.S. Census data.

The distribution of vehicle loans to households in moderate-income tracts is reasonable as the percentage of loans made in the moderate-income tracts exceeds the percentage of households in those tracts.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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%	13.64%	16.67%	67.46%	70.83%	18.90%	12.50%

Source: Loan sample; U.S. Census data.

Responses to Complaints

There have been no consumer complaints regarding 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*". FNB's community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.

Opportunities for qualified community development loans and investments are 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 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 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 active in holding leadership positions and making significant donations to the Chambers of Commerce within the bank's AA, which are primarily involved in economic development and small business creation. The bank also actively lends to the Ardmore Development Authority, 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.

The bank has originated or renewed 15 community development loans totaling \$9.2 million during the evaluation period. Two loans totaling \$5.0 million provided funding for a local hospital. Eight loans totaling \$3.5 million provided economic development through job creation, financing local infrastructure needs, and funding industrial and technology parks to attract new businesses and jobs in the technology sector. Five loans totaling \$680 thousand were originated for projects that are primarily related to the revitalization or stabilization of downtown Ardmore. Below are details on some of the community development loans originated by the bank during the evaluation period.

In June of 2010, FNB participated, along with other local financial institutions, in an \$8.0 million loan to build a new cancer treatment facility on the Mercy Hospital campus located in Ardmore, OK. FNB's participation portion was 35 percent or \$2.8 million. In March 2011, the loan was converted from construction financing to a permanent loan. The balance of the loan at that time was \$2.2 million. Mercy Hospital is a non-profit organization that meets the essential health care needs of south central Oklahoma. This is largely a rural and low- to moderate-income area. Mercy treats all patients regardless of their ability to pay. A large percentage of the hospitals patients are low- and moderate-income.

FNB participated in two loans to the Ardmore Public Works Authority (APWA) totaling \$2.3 million and \$532 thousand with three other local financial institutions to refinance several water and sewer projects, as well as, pay for improvements to the Southern Oklahoma Technology Center and Hickory Ridge Technology Park in order to promote new businesses to Ardmore, OK. APWA issues revenue bonds that are repaid by tax revenues from various Tax Increment Finance (TIF) Districts established by the City of Ardmore to make long term infrastructure improvements inside the Ardmore city limits. Favorable financing is available in TIF Districts, such as low interest rates, to stimulate business and revitalize the area.

FNB participated in a loan to Ardmore Tourism Authority totaling \$250 thousand of a \$1.5 million loan. The Authority is a public trust created by and for the benefit of the City of Ardmore and the Ardmore Chamber of Commerce for economic development purposes. The focus of the Authority has been enhancing tourism and recreation in Ardmore, OK and Southern Oklahoma.

Loans for revitalization included a \$100 thousand loan to a local company that performed cleanup in the gulf coast region associated with the BP oil spill. A working capital loan for \$80 thousand was provided to a manufacturing company to retain/create jobs. This company makes a product that is used to retain oil and other chemicals when environmental spills occur over water.

Three loans totaling \$500 thousand were extended to re-develop two properties in the downtown area of Ardmore and is part of the Ardmore Main Street Program.

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 made 5 investments in local school bonds totaling \$399 thousand and prior period school bond investments totaling \$600 thousand. FNB has also made numerous qualified donations totaling \$291 thousand. The bulk of the donations are to the local hospital totaling \$159 thousand. Other donations are to local nonprofits that 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.

- ***Murray County/Carter County School Bonds***

FNB purchased two Murray County school bonds totaling \$100 thousand of a \$300 thousand issuance to provide funds for the purpose of making capital improvements. Over 60 percent of the kids attending the Murray County Independent School District (ISD) qualify for free and reduced lunches. FNB invested \$299 thousand in a \$5.3 million bond issuance to the Carter County ISD to repair and remodel school buildings and purchase school furniture, fixtures and equipment. Fifty-nine percent of the kids attending schools in the Carter County ISD receive reduced or free lunches.

- ***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 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 made donations totaling \$159 thousand during the evaluation period.

- ***Ardmore Chamber of Commerce/Ardmore Development Authority (ADA)***

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 ADA, which has been successful in bringing new small businesses to the community and generating new jobs. In total, ADA 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.

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 Development Authority (ADA)/Ringling Chamber of Commerce/Love County Chamber of Commerce/Sulphur Chamber of Commerce***

Bank officers serve on the Board and hold several positions in their respective 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. ADA 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 on the 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 bank officer serves on the Finance Committee 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.