



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 19, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank & Trust Company of McAlester
Charter Number: 5052

235 East Choctaw
McAlester, OK 74501-0000

Office of the Comptroller of the Currency

Eastern Oklahoma Field Office
Executive Center Building
7134 South Yale Avenue, Suite 910
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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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors to support this rating include:

- A substantial majority of the bank's loans are made within the assessment area (AA).
- FNB demonstrates an adequate responsiveness to the credit needs of its AA and the bank's loan-to-deposit ratio is satisfactory.
- The bank's distribution of loans throughout the AA, particularly the two moderate-income census tracts is outstanding.
- The bank's lending performance to individuals of different income levels and businesses of different sizes is satisfactory.
- FNB's community development lending performance in and to benefit the AA is satisfactory.
- FNB is proactive in their approach to community development investments in a market where such investment opportunities are limited.
- The number of community development services that ultimately benefit low and moderate-income individuals in the AA is outstanding.
- Accessibility of FNB's offices to geographies and individuals of different income levels, and the responsiveness of FNB's banking services to the needs of its AA are outstanding.

Scope of Examination

Conclusions regarding the bank's lending performance are based on a random sample of residential mortgage loans, small business loans, and consumer loans originated during 2007, 2008 and year-to-date 2009. For the community development test, the evaluation period starts from the previous evaluation dated July 17, 2006, and includes a review of investments, services and loans provided in the bank's assessment area that meet the definition of community development. The bank's assessment area is Pittsburg County and includes all of the bank's branch locations and ATM services.

Description of Institution

FNB is a \$422 million community bank located in McAlester, Oklahoma. McAlester is located in Pittsburg County approximately 90 miles south of Tulsa, Oklahoma. FNB is owned by First McAlester Corporation (FMC), a locally owned, one-bank holding company. The bank also operates a subsidiary Community Development Corporation (CDC) named First National Development Corporation (FNDC). FNB serves the AA with a full-service main office in downtown McAlester, a full-service branch office in Hartshorne, a limited-service branch in McAlester, a drive-thru facility also in McAlester, and 13 Automated Teller Machines (ATM) throughout the AA. Each branch includes at least one drive-thru lane and a separate lane for ATM access. FNB also offers internet banking and 24-hour telephone banking services. Consumers can obtain general information about loan and deposit products from the bank's website at

<http://www.fnbmcalester.com/>.

Main bank lobby services are provided Monday through Friday, and Monday through Saturday at each branch. FNB offers a wide variety of banking services and loan and deposit products to meet consumer and commercial banking needs, although they also face strong lending and deposit competition from several other financial institutions in the AA. A June 30, 2009 FDIC Deposit Market Share Report indicates FNB has the largest market share of deposits in the AA at \$373 million, or 43%. There are no legal or financial impediments to prevent the bank from meeting the credit needs of the AA. FNB received an overall **Outstanding** rating for the last CRA Public Evaluation dated July 17, 2006.

FNB's lending strategy focuses on residential real estate, commercial real estate, commercial, and consumer loans to meet the needs of the community. As of September 30, 2009, the \$205 million loan portfolio represented 49% of total assets and consisted of the following loan types:

Loan Category	\$ (000)	%
Construction/Land Development	26,010	13
1-4 Family Real Estate	42,504	21
Commercial Real Estate	89,364	43
Commercial	21,908	11
Consumer	13,772	7
Obligations of States and Political Subdivisions	7,448	4
Agriculture/Farmland	3,283	1
Other	952	0
Total	205,241	100

Source: September 30, 2009 Consolidated Report of Condition and Income

Description of Assessment Area

FNB's AA meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA comprises 13 census tracts located in Pittsburg County, including the county seat of McAlester. McAlester is located in a Micropolitan Statistical Area, defined by the U.S. Office of Management and Budget as a core urban area with a population of at least 10,000, but less than 50,000. There are no low-income census tracts in the AA. The two moderate-income tracts are located in McAlester, northwest of the main bank. One of these tracts is near the state prison and another correctional facility and only has 25 households, so the credit demand in terms of numbers relative to other tracts is low. In aggregate, the moderate-income tracts comprise 1,534 housing units (1,359 single-family, 153 multi-family, and 22 mobile homes) and 60% are owner-occupied. The overall economic condition of the AA is generally stable, although it is adversely impacted by the national recessionary conditions. The following table further describes major demographic and economic characteristics of the AA.

<i>Population</i>	
Number of Families	12,051
Number of Households	17,177
<i>Geographies</i>	
Number of Census Tracts	13
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	15
% Middle-Income Census Tracts	70
% Upper-Income Census Tracts	15
<i>Median Family Income</i>	
2000 MFI for AA	\$35,517
2008 HUD-Adjusted MFI	\$42,400
<i>Economic Indicators</i>	
# of Households Below Poverty Level	3,034
# of Households Receiving Social Security	6,121
<i>Housing Indicators</i>	
Total Housing Units	21,520
% Occupied	80
% Owner-Occupied	61
% Rental Units	26

Source: 2000 United States Census

We completed a community contact during this evaluation to gain a better understanding of the credit and community development needs of the AA. The comments we received were positive concerning the manner in which FNB and other local banks provide needed credit, investment, and financial service. Perceived needs

include affordable residential homes for purchase and rental homes. Also discussed were potential lending opportunities for manufacturing housing and business incubators.

Conclusions with Respect to Performance Tests

LENDING TEST

This Performance Evaluation (PE) assesses FNB's lending performance and includes five criteria: loan-to-deposit (LTD) ratio; lending in the AA; geographic distribution of loans; lending to borrowers of different incomes and to businesses of different sizes; and responses to complaints.

Loan-to-Deposit Ratio

FNB's LTD ratio is reasonable relative to their financial condition, banking competition within the AA, and credit needs of the AA. FNB's net LTD ratio **as of 9/30/09** is 56% (42% as of 6/30/06), compared to a local peer bank average of 66%. FNB's **quarterly average** LTD ratio since the 7/17/06 CRA PE is 50% (previous period - 43%), compared to a local peer bank average of 70% during the same period. One contributing factor to the difference in ratios is that peer banks have multiple assessment areas which provide the banks with a much greater geographic area to originate loans. Another factor is that FNB's deposit base in their AA is nearly 50% larger than that of the peer banks.

Lending in the Assessment Area

Our sample of residential mortgage, business, and consumer (automobile) loans originated since 1/2/07 revealed that a **substantial majority (83%)** of the number of FNBs loans are located within the defined AA. The table below reflects the number and dollar amount percentage of loans, by type, originated within and outside of the AA.

Assessment Area Lending				
Loan Product	In AA (#)	In AA (\$)	Out of AA (#)	Out of AA (\$)
Real Estate	85%	88%	15%	12%
Business	80%	67%	20%	33%
Consumer	85%	91%	15%	9%

Source: Loan sample

Geographic Distribution of Loans

Our loan sample of lending patterns within the bank's AA since the previous PE reveals **excellent dispersion** of residential mortgage, business, and consumer loans throughout the AA. There are no low-income census tracts in the bank's AA, although it

is evident from the loans originated during the evaluation period that FNB is actively originating loans in the two moderate-income census tracts. The tables below summarize our conclusions regarding the bank's lending activities throughout the AA during the evaluation period for each type we reviewed.

Consumer Loans				
CT income level	Low	Moderate	Middle	Upper
% of AA households	0%	8%	73%	19%
% of loans reviewed (#)	0%	10%	75%	15%
% of loans reviewed (\$)	0%	11%	66%	23%

Source: Loan sample and 2000 United States Census

Residential Real Estate				
CT income level	Low	Moderate	Middle	Upper
% of AA owner occupied	0%	7%	73%	20%
% of loans reviewed (#)	0%	10%	70%	20%
% of loans reviewed (\$)	0%	4%	65%	31%

Source: Loan sample and 2000 United States Census

Business				
CT income level	Low	Moderate	Middle	Upper
% of AA businesses	0%	14%	52%	34%
% of loans reviewed (#)	0%	25%	70%	5%
% of loans reviewed (\$)	0%	6%	89%	9%

Source: Loan sample and 2000 United States Census

Distribution of Loans to Businesses				
Original Loan Amount	<\$100,000	\$100,000-\$250,000	\$250,000-\$500,000	>\$500,000
% of loans reviewed (#)	25%	25%	25%	25%

Source: Loan sample

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

Our loan sample of lending patterns within the bank's AA since the previous evaluation reveals a **reasonable penetration** of residential mortgage, business, and consumer

loans to borrowers with different incomes and businesses of different sizes, particularly low- and moderate-income borrowers and small businesses. The tables below summarize our conclusions regarding the bank's lending activities during the evaluation period for each of the loan types we reviewed.

Consumer Loans				
Borrower income level	Low	Moderate	Middle	Upper
% of AA households	26%	15%	18%	41%
% of loans reviewed (#)	15%	25%	20%	40%
% of loans reviewed (\$)	9%	24%	25%	42%

Source: Loan sample and 2000 United States Census

Residential Real Estate				
Borrower income level	Low	Moderate	Middle	Upper
% of AA families	21%	18%	22%	39%
% of loans reviewed (#)	15%	15%	30%	40%
% of loans reviewed (\$)	7%	14%	16%	63%

Source: Loan sample and 2000 United States Census

Business				
Gross Annual Revenues of Businesses	<\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA businesses	56%	5%	39%	100%
% of loans reviewed (#)	65%	35%	0%	100%
% of loans reviewed (\$)	61%	39%	0%	100%

Source: Loan sample and 2000 United States Census

Responses to Complaints

The bank has not received any complaints during the evaluation period in regards to its CRA performance.

COMMUNITY DEVELOPMENT TEST

This PE assesses FNB's Community Development (CD) performance and includes three criteria: CD lending; CD investments; and CD services. Overall, FNB's response to community needs through CD activities is **adequate**.

Number and Amount of Community Development Loans

In 2009 FNB originated one qualifying CD loan to a local organization for \$400,000 that provides a community service for and benefits the AA, including low- and moderate-income residents. The area is also designated by the FFIEC as a financially distressed, nonmetropolitan middle-income geography. A majority of beneficiaries of the services provided have low- or moderate-incomes, and many of the rural population served in the surrounding communities would not otherwise receive the necessary service provided at this facility due to income or the inability to drive the distance necessary to receive the service. The property is also located in an area classified as a "Medically Underserved Population" by the U.S. Department of Health and Human Services.

Although they do not qualify as CD loans, the bank also originated 3 loans to various other local organizations that total \$1 million since the previous evaluation. These entities meet the essential health care needs for the public welfare of a large portion of Pittsburg County. The funds were used for such things as construction of an assisted living facility, medical facility leasehold improvements, and necessary medical equipment and supplies.

Number and Amount of Qualified Investments

FNB is proactive in their approach to community development investments in a market where investment opportunities are limited. During this evaluation period, the bank made qualified investments totaling \$7 thousand. Investments include funds that benefit local community initiatives through entities including the McAlester Regional Health Center Foundation, McAlester Economic Development Corporation, and McAlester Main Street Association. These programs are designed to help revitalize, preserve, and economically develop businesses in the downtown area, including a moderate-income census tract.

Although they don't qualify as CD investments, during the evaluation period FNB also provided numerous donations to local individuals and businesses in need of financial assistance.

Extent to Which the Bank Provides Community Development Services

Bank officers and employees are actively providing their financial expertise and technical assistance on financial matters to small businesses, nonprofit groups,

affordable housing programs, and other community development organizations. Some notable examples of these services include:

Low Income Loan Programs: FNB offers several residential and consumer loan programs targeted to low-income applicants. As of 10/30/09, FNB's loan portfolio for these programs includes 28 loans with a current balance of \$128,835. FNB refinanced two of these since the previous evaluation.

Retail Distribution Systems: FNB offers a large array of banking locations, products, and services to serve the residents of their AA, including low- and moderate-income residents and the two moderate-income census tracts. The bank offers flexible banking hours with Internet banking, multiple branch facilities, and numerous ATMs.

First National Development Corporation (FNDC): In October 1981, FNB formed the FNDC; a non-profit Community Development Corporation (CDC) created to stimulate development and/or redevelopment of properties within the city of McAlester, provide jobs and other economic opportunities, and meet the health and education needs of the citizens of the community and surrounding area. No equity contributions have been made since the previous evaluation dated July 17, 2006.

Clark and Wanda Bass Family Foundation, Inc. and The Wanda L. Bass Foundation, Inc.: Not-for-profit corporations formed for charitable religious, educational, and medical/scientific purposes, as well as to acquire, own, and improve real property in furtherance of a purpose to fight urban blight and neighborhood deterioration, and promote historic preservation.

Responsiveness to Community Development Needs

The bank has demonstrated **adequate** responsiveness to community development needs in its assessment area. FNB is one of the primary lenders and depository banks in the area, offering products and services that meet the needs of all individuals and geographies, regardless of income levels. Additionally, FNB officers and employees are actively involved in community organizations, as well as organizations designed to retain and establish businesses in the AA that are vital to provide jobs and stability to the local economy.

Fair Lending or Other Illegal Credit Practices Review

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