



SMALL BANK

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

PUBLIC DISCLOSURE

April 27, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Texoma National Bank
Charter Number 14005**

**220 West Main Street
Durant, OK 74701**

**Comptroller of the Currency
Tulsa (eastern Oklahoma)
7134 South Yale Executive Ctr. Bldg., Suite 910
Tulsa, OK 74136**

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.

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 CRA performance of **First Texoma National Bank, Durant, Oklahoma** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 27, 2005. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Note: Throughout this evaluation First Texoma National Bank will be referred to as "FTNB."

Institution's CRA Rating: This institution is rated **Satisfactory**.

FTNB has a satisfactory record of meeting the credit needs of its assessment area (AA) and the needs within the community, as evidenced by the following:

- FTNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- FTNB's loan to deposit (LTD) ratio is satisfactory and has averaged 57.45% since our last CRA examination. The trend is increasing, and since March 31, 2000, the LTD has increased from 51.30% to the current ratio of 67.15% as of December 31, 2004.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses.
- FTNB generates a majority of its loans within the defined assessment area.

The following pages further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

FTNB is a \$154 million dollar rural community bank located in Durant Oklahoma. The bank is entirely owned by FNB Financial Services, a two-bank holding company. At December 31, 2004, the holding company had total assets of \$219 million. The main bank, one branch, and drive in facility are located in Durant. The bank has an additional branch in Boswell, Oklahoma.

FTNB does issue automated teller machine (ATM) cards and has four ATM's available throughout the community. The bank's primary focus is to serve commercial and consumer customers in Durant and the surrounding areas. The bank meets these needs by providing various loan and deposit products as well as other financial services. Business and commercial real estate loans are the bank's primary loan products, but the bank also has programs geared to one-to-four family real estate loans, consumer loans, and farm loans to meet the needs of the community. The table below shows the composition of the bank's loan portfolio, which represents approximately 60.93% of total assets as of December 31, 2004. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	37,589	39.50%
Commercial Loans	33,134	34.82%
Residential Real Estate Loans	7,549	7.93%
Farm Production Loans	1,862	1.96%
Farm Real Estate Loans	1,229	1.29%
Consumer Loans	13,799	14.50%
Other Loans	0	0.00%
Total	95,162	100.00%

Banking hours reasonably meet community needs with Main Office lobby hours Monday through Friday 9:00am – 3:00pm, and the Main Office loan department hours Monday through Friday 9:00am – 5:00pm. The drive in hours are Monday through Friday 8:00am – 6:00pm, and Saturday 8:00am – 12:00pm. The Northwest Heights Durant Branch hours are Monday through Friday 8:00am – 6:00pm, and Saturday 8:00am – 12:00pm. The Boswell, Oklahoma branch hours are Monday – Friday 9:00am – 3:00pm.

FTNB faces strong competition from several other financial institutions within the assessment area. Based on FTNB's financial condition, the local economy, product offerings, competition, and prior performance, FTNB has the ability to meet the various credit needs in its community. At our last CRA examination as of May 11, 1999 the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FTNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	10,910
Number of Households	15,750
<i>Geographies</i>	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	18.18%
% Middle-Income Census Tracts/BNA	72.73%
% Upper-Income Census Tracts/BNA	9.09
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	33,547
2000 HUD-Adjusted MFI	41,300
<i>Economic Indicators</i>	
2000 Median Housing Value	52,452
# of Households Below Poverty Level	3,315

The assessment area includes all census tracts in Bryan County and one census tract in Choctaw County that includes the Boswell, Oklahoma branch facility.

FTNB faces strong competition from several other financial institutions within the assessment area. The banks two primary competitors are both much larger in asset size, with one being a multi-state banking company.

In conjunction with this CRA examination, we conducted a community contact interview with a representative from a community development organization to learn about credit opportunities within the community and whether financial institutions address the credit and service needs of the community. The representative stated that the bank was active in the community and responsive to the credit needs in its assessment area. The contact could not think of any credit needs that were not being met in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses FTNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area (AA); lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and, responses to complaints.

To evaluate the FTNB's lending performance, a random sample was taken of 20 1 – 4 family home loans, 20 automobile loans, and 20 business loans, originated since December 31, 2002. Based on the analysis and consistent with available resources and capabilities, FTNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio (LTD)

FTNB's LTD is in line with that of peer banks in the assessment area. The bank's quarterly LTD since the last examination has averaged 57.45%. As noted in the previous CRA examination, the quarterly LTD had averaged 46%. The LTD has been increasing, and since March 31, 2000, the ratio has increased from 51.30% to the December 31, 2004 ratio of 67.15%. The bank's LTD has been steadily increasing since the current management group has been in place. The current LTD is reasonable compared to peer banks that averaged a LTD ratio of 71.90% over the same time period.

Lending in the Assessment Area

A majority of FTNB's loans are made within the assessment area. Our analysis determined that 78.71% of the number of loans were to customers within the bank's assessment area. FTNB's assessment area will expand to include the assessment area of its sister bank, First Texoma Bank – Sherman, Texas due to a planned merger. When the proposed merger is finalized the number and dollar amount of originations will increase as a result of the expanded lending territory.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Recent lending patterns indicate a satisfactory distribution of loans among borrowers of different income levels and businesses of different sizes. We based our review on a sample of 20 1-4 family residential real estate loans, 20 automobile loans, and 20 business loans within the assessment area.

Review of 1 – 4 family residential real estate loans and automobile loans indicates that the bank is satisfactorily lending to borrowers of different incomes.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	23%	20%	18%	10%	23%	25%	36%	45%

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

Borrower Distribution of Consumer Loans								
Borrower 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
Consumer Loans	27%	30%	15%	25%	19%	10%	39%	35%

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

FTNB's loan distribution to small businesses is satisfactory. Small businesses are defined as those with gross annual revenues/sales of one million dollars or less. The percentage of bank loans to businesses with revenues/sales less than \$1 million is higher than the percentage of businesses with revenues less than \$1 million located in the assessment area. Based on the sample of 20 business loans, 85% of the loans were made to businesses with gross revenues/sales of less than \$1 million.

BORROWER DISTRIBUTION OF LOANS TO SMALL BUSINESSES				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	5%	30%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%

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

Geographic Distribution of Loans

The geographic distribution of automobile loans reflects reasonable penetration throughout the assessment area. There are no low-income census tracts in the bank's assessment area. Our judgmental sample revealed that 5% of the automobile loans were originated in moderate-income census tracts. Total Households comprised 14% of the moderate-income census tracts.

AUTOMOBILE LOANS				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Households	0%	14%	72%	14%
LOANS BY PRODUCT	% of Number	% of Number	% of Number	% of Number
Automobile Loans	0%	5%	70%	25%

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

The geographic distribution of residential real estate loans reflects reasonable penetration throughout the assessment area. There are no low-income census tracts in the bank's assessment area. Our judgmental sample revealed that 5% of the loans were originated in moderate-income census tracts. Owner occupied units comprised 13% of the housing stock in the moderate-income census tracts.

RESIDENTIAL REAL ESTATE				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Owner Occupied	0%	13%	72%	15%
LOANS BY PRODUCT	% of Number	% of Number	% of Number	% of Number
Residential Real Estate	0%	5%	75%	20%

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

The geographic distribution of small business loans meets the standard for satisfactory performance. There are no low-income census tracts in the bank’s assessment area. Thirty-five percent of the small business loans in our sample were originated in moderate-income census tracts. Eleven percent of the small businesses in the assessment area are situated in moderate-income census tracts.

BUSINESS LOANS				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Businesses	0%	11%	69%	20%
LOANS BY PRODUCT	% of Number	% of Number	% of Number	% of Number
Small Business	0%	35%	24%	41%

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

Responses to Complaints

FTNB has not received any complaints relevant to CRA during the evaluation period.

Compliance with Fair Lending Laws and Regulations

We found no evidence of illegal discrimination or other illegal practices.