



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 22, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 24643

8 East Main Street
Idabel, OK 74745-0000

Office of the Comptroller of the Currency

Little Rock Field Office
10201 West Markham, Suite 105.
Little Rock, AR 72205-2180

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 First National Bank (FNB) in Idabel has a satisfactory record of meeting the credit needs of its community. This rating is based on the findings listed below:

- The loan to deposit ratio was reasonable based on the bank's performance context and lending opportunities within its assessment area (AA).
- A substantial majority of the bank's lending was inside its AA.
- The distribution of loans to borrowers and businesses of different incomes reflected excellent penetration.
- Geographic distribution of loans reflected excellent dispersion throughout the AA.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of the bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria which included a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The lending test for First National Bank, Idabel evaluates its performance from January 1, 2006 through August 31, 2008. Over this time period, the primary lending products consisted of consumer loans and commercial real estate loans. In order to evaluate the banks lending, we took a statistically random sample of each loan type originated during that time period.

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) is located in Idabel, Oklahoma, in McCurtain County. As of June 30, 2008, average assets were \$88,329M and Tier 1 Capital was \$8,570M. FNB is a wholly owned subsidiary of First National Security Company in Hot Springs, Arkansas; a two bank holding company. FNB consists of its main bank in Idabel, a drive-thru branch in Idabel, and a full service branch in Broken Bow, which includes a drive-thru facility. The bank does not operate any ATMs.

The bank offers a full range of loan and deposit products. The following chart represents the distribution of loans originated during the evaluation period:

Loan Type	Dollar Volume of Loans Originated/Purchased During the Evaluation Period \$ (000s)	% by Dollar of Loans Originated/Purchased During the Evaluation Period	Number of Loans Originated/Purchased During the Evaluation Period	% by Number of Loans Originated/Purchased During the Evaluation Period
Consumer Loans	\$4,565,332	10.35%	487	56.37%
Commercial	\$5,256,856	11.92%	86	9.95%
Commercial RE	\$22,794,841	51.69%	99	11.46%
Agriculture	\$2,960,867	6.71%	68	7.87%
Residential RE	\$7,514,562	17.04%	107	12.38%
HELOC	\$135,000	0.31%	2	0.23%
Other	\$874,466	1.98%	15	1.74%
Total	\$44,101,924	100.00%	864	100.00%

There are no legal or financial impediments to FNB Idabel's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated August 2, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

The banks AA is McCurtain County that consists of 8 census tracts, three of which are moderate income tracts with the remaining five being middle income tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income areas. Below is a summary of the demographic data for McCurtain County:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF MCCURTAIN COUNTY ASSESSMENT AREA	
Population	
Number of Families	9,680
Number of Households	13,296
Geographies	
Number of Census Tracts/BNA	8
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	37.50
% Middle-Income Census Tracts/BNA	62.50
% Upper-Income Census Tracts/BNA	0.00
Median Family Income (MFI)	
2000 MFI for AA	29,827
2007 HUD-Adjusted MFI	42,400
Economic Indicators	
Unemployment Rate*	7.00
2007 Median Housing Value	46,356
% of Households Below Poverty Level	24.76

Source: 2000 U.S. Census Data

* Bureau of Labor Statistics 2007 data

The current local economy is declining due to rising unemployment in the area along with the downturn in the national economy and rising costs. Economic activity in the area consists of agriculture, services and small business. Two of the largest employers in the county have recently begun lay offs or outright job cuts. Average unemployment in the area is high at 7.0% and wages are declining.

Competition from other institutions is high. The two largest cities within the county are Idabel and Broken Bow; and each has numerous banks, mortgage companies and payday lenders. Much of the new development in the Broken Bow area comes from construction of rental cabins near Broken Bow Lake. Many of the investors have come from the Dallas/Fort Worth area with their own financing.

In conjunction with this examination, we contacted a local community organization. Our contact identified the need for affordable housing in the area. Occupied housing levels are high at 85.7% with owner-occupied housing at 62.8%. There are no new housing developments in the area and our contact revealed that local zoning restrictions make it difficult for developers to build low income housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs within the AA. The following sections provide detail of our assessment of each performance criterion.

Loan-to-Deposit Ratio

Institution	Assets (000s) (As of 6/30/08)	Average LTD Ratio
1st Bank & Trust, Broken Bow	106,090	63.18
First State Bank, Valliant	59,710	101.33
McCurtain County National Bank, Broken Bow	135,373	60.78
The Idabel National Bank, Idabel	93,067	57.50
First National Bank, Idabel	87,361	56.51

FNB Idabel's Loan-to-Deposit (LTD) ratio is reasonable. Our analysis indicated that while the bank was below its peer group, the LTD ratios are satisfactory. Our analysis identified 1 outlier bank (First State Bank in Valiant) that was well above the rest of the peer group mainly due to the small size of this bank. For the purposes of determining whether or not the bank's average LTD ratio is appropriate, we removed this outlier. The bank's average LTD over the evaluation period was 56.51% as compared to the rest of the peer group of 60.49%. This percentage excludes FNB and the outlier.

Lending opportunities within the AA have been limited as there have been no significant new housing developments or population migration to the area. This is coupled with the fact that competition is high and what business does come to the area is spread out among the many financial institutions.

Lending in Assessment Area

Our review found that a substantial majority of the banks lending during the evaluation period was within its AA. We reviewed a random sample of 20 loans from each of the bank's primary lending products. Below is a summary of these data:

Lending in McCurtain County										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	20	100.00%	0	0.00%	20	\$100	100.00%	\$0	0.00%	\$100
Commercial Loans	20	100.00%	0	0.00%	20	\$5,123	100.00%	\$0	0.00%	\$5,123
Totals	40	100.00%	0	0.00%	40	\$5,223	100.00%	\$0	0.00%	\$5,223

Source: Loan Sample

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

FNB Idabel's distribution of loans within the AA reflects excellent penetration among borrowers of different income levels and businesses of different sizes. Our review indicated that consumer lending to low and moderate income households exceeds the demographic.

Given that consumer loans were the bank's primary loan product by number of loans originated over the evaluation period, the table below highlights the bank's support of the community's lending needs:

Borrower Distribution of Consumer Loans in McCurtain County									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% 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	% of Number of Loans
% of Total	31.01	40.00%	16.76%	35.00%	16.60%	10.00%	35.63%	15.00%	0.00%

Source: Loan Sample

Lending to businesses within the AA also exceeded the demographic. However, this information is less meaningful given the fact that 61.95% of businesses did not report their gross revenues. Despite this lack of data, it is apparent that the bank supports the lending needs of small businesses within its AA.

Borrower Distribution to Businesses in McCurtain County				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	35.85%	2.20%	61.95%	100.00%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100.00%
% of Bank Loans in AA by \$	98.05%	1.95%	0.00%	100.00%

Source: Loan Sample

Geographic Distribution of Loans

The bank's lending to geographies of different income levels within its AA reflected excellent dispersion. The summary below points out the fact that despite the fact that only 38.7% of households within the AA live in moderate-income tracts, 70% of the bank's consumer lending was in these areas. This highlights the bank's commitment to meeting the credit needs within its community. Therefore, a greater weight was given to consumer lending.

Geographic Distribution of Consumer Loans in McCurtain County								
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
% of Total	0.00%	0.00%	38.70%	70.00%	61.30%	30.00%	0.00%	0.00%

Source: Loan Sample

While the data below suggest that lending to businesses within moderate income tracts was below that of the AA demographic, this can be explained. The majority of the bank's commercial real estate lending throughout the evaluation period was for either the purchase or construction of rental property (cabins) around Broken Bow Lake. This area is located within a middle income census tract. Growth in this area represents a large part of the growth within the AA. There had been very little other commercial real estate developments during the evaluation period.

Geographic Distribution of Commercial RE Loans in McCurtain County								
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
% of Total	0.00%	0.00%	25.83%	20.00%	74.17%	80.00%	0.00%	0.00%

Source: Loan Sample

Qualified Investments and CD Services (Optional)

Investment and community development services were not reviewed during this examination.

Responses to Complaints

FNB Idabel has not received any complaints since its previous CRA examination.

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.