



PUBLIC DISCLOSURE

JULY 18, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**CHICKASHA BANK & TRUST COMPANY
RSSD # 328450**

**1924 SOUTH 4TH STREET
CHICKASHA, OKLAHOMA 73018**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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.

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INSTITUTION'S CRA RATING: *This institution is rated **Satisfactory***

Chickasha Bank & Trust Company (the bank) has a satisfactory record of helping to meet the credit needs of its assessment area (AA) pursuant to the Community Reinvestment Act (CRA), in a manner consistent with its resources and operating philosophy. This assessment includes lending to low-and moderate-income (LMI) borrowers and census tracts.

The bank's net loan-to-deposit (NLTD) ratio indicated a reasonable effort to extend credit in its lending market, with a majority of loans originated inside the AA. The distribution of loans to borrowers of different income levels and to businesses and farms of different revenue sizes was considered reasonable. In addition, the geographic distribution of loans reflected a reasonable dispersion to census tracts of different income levels, based on the bank's locations and the demographics of its AA.

SCOPE OF EXAMINATION

The bank's performance was evaluated using the Federal Financial Institutions Examination Council Interagency Small Bank Examination Procedures. The examination evaluated the bank's performance in the context of demographic information from its delineated AA. Four of the five core criteria used in evaluating small bank lending performance were relevant to the review and are as follows:

- NLTD Ratio
- Lending Inside the AA
- Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes
- Geographic Distribution of Loans

The bank's responsiveness to complaints under the CRA, the fifth core criterion used to assess small bank performance, was not evaluated because the bank had not received any complaints regarding its CRA performance.

Conclusions were based on a review of loans compiled and reported pursuant to the Home Mortgage Disclosure Act (HMDA), and from statistically derived samples from the bank's other major product lines, commercial and agricultural loans. These major product lines were determined based on a review of the Report of Condition and Income as of March 31, 2011 and a review of annual loan volume. Loan samples utilized for the review included 2009 and 2010 HMDA loans, along with statistically-derived samples of 31 commercial loans and 33 agricultural loans originated during the six-month period from December 1, 2010 through May 31, 2011. To augment the evaluation, an interview with a member of the community was conducted to discuss local economic conditions and ascertain the community's credit needs. Additionally, information from three community contacts recently conducted in the area were referenced and utilized for this evaluation.

DESCRIPTION OF INSTITUTION

The bank is headquartered in Chickasha, Oklahoma, a city approximately 40 miles southwest of Oklahoma City, Oklahoma. The bank has four full-service branch offices located in Apache, Cement, Blanchard, and Tuttle, Oklahoma. All four of the branch offices have automated teller machines (ATMs). In addition, the bank has eight cash-dispensing ATMs located in fuel stations and businesses in Chickasha, Alex, Apache, Blanchard, Cement, and New Castle, Oklahoma. The bank also has a transactional web site offering customer account information, scheduled transfers, bill payments, in-house loan payments, and electronic mail between the bank and the customer. The branch offices offer convenient business hours, with lobby access on Saturdays.

The analysis of the bank's CRA performance considers the bank's financial capacity, the competitive environment in which it operates, local economic conditions, and demographics. Based on its size, financial condition, and credit offerings, the bank has the ability to meet the credit needs of its AA. As of March 31, 2011, the bank had total assets of \$180.3 million, with total gross loans of \$132.9 million, or 73.7 percent of assets. The bank is primarily an agricultural and commercial lender, but also offers other traditional credit products to meet the needs of its AA. Table 1 illustrates the composition of the bank's loan portfolio as of March 31, 2011.

Loan Type	Amount (\$000)	Percent of Total
Agricultural	55,627	41.8
Commercial	49,636	37.4
Real Estate	21,006	15.8
Consumer	4,433	3.3
Other	2,244	1.7
Total Gross Loans	132,946	100.0

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's delineated AA is based on 2000 U.S. Census data and 2004 Metropolitan Statistical Area (MSA) designations. The AA, located in the Oklahoma City, Oklahoma MSA, is comprised of Grady County, McClain County, and the adjoining nonmetropolitan Caddo County. The bank's AA does not extend substantially beyond the MSA boundary and consists of one low-, seven moderate-, fourteen middle-, and two upper-income tracts. The bank's main office is located in a middle-income tract in Chickasha, Oklahoma.

Based on Federal Deposit Insurance Corporation (FDIC) market share information as of June 30, 2010, the bank has a significant presence in the AA, with approximately \$155.2 million in deposits. The bank's market share at 10.4 percent ranked second among 19 FDIC-insured institutions within its AA.

According to 2000 U. S. Census data, the total population of the AA is 103,406, which represents 9.4 percent of the Oklahoma City, Oklahoma MSA population. The percentage of area households that are families is higher at 74.8 percent, compared to 67.4 percent for the MSA. The AA is mostly a middle-income area with a median family income (MFI) of \$38,128, equaling 84.9 percent of the total MSA MFI. The AA contains a higher percentage of families living below poverty levels, at 11.6 percent compared to 9.9 percent for the MSA.

According to community contacts, employment opportunities have been consistent. Even though the area has lost some major employers, new business ventures have replaced the demand for employment. The area has a diverse business community, comprised mainly of service, retail trade, and wholesale trade facilities. Community contacts indicated that the major employers in the area include the Chickasha School District, Grady County Government, Gabriel Ride Control Products, and Frac Tech Services, Ltd. One community contact stated that 80 percent of area businesses were small businesses and most have been paying down debt instead of seeking new credit because of current economic conditions.

The AA contained a higher concentration of owner-occupied housing units at 67.6 percent, compared to 59.3 percent in the total MSA. In addition, the AA had a higher percentage of vacant units at 11.7 percent, compared to 8.9 percent for the MSA. Additional data on area housing showed that the AA had a comparatively lower median housing value of \$59,496 when compared to the MSA at \$76,582. One community contact also indicated that affordable housing loans and small business start-up loans are two of the primary credit needs in the area.

Table 2 summarizes housing, income, and demographic characteristics of the bank's AA.

TABLE 2 BANK'S ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.2	244	0.8	113	46.3	6,538	22.6
Moderate-income	7	29.2	7,824	27.1	1,280	16.4	6,011	20.8
Middle-income	14	58.3	17,505	60.6	1,856	10.6	6,547	22.7
Upper-income	2	8.3	3,309	11.5	87	2.6	9,786	33.9
Total AA	24	100.0	28,882	100.0	3,336	11.6	28,882	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low-income	473	164	0.6	34.7	208	44.0	101	21.4
Moderate-income	12,978	7,635	25.8	58.8	3,542	27.3	1,801	13.9
Middle-income	26,155	18,248	61.7	69.8	4,889	18.7	3,018	11.5
Upper-income	4,123	3,530	11.9	85.6	413	10.0	180	4.4
Total AA	43,729	29,577	100.00	67.6	9,052	20.7	5,100	11.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	79	1.7	68	1.6	6	2.6	5	2.2
Moderate-income	1,502	32.3	1,333	31.8	90	38.8	79	34.2
Middle-income	2,442	52.5	2,195	52.4	116	50.0	131	56.7
Upper-income	628	13.5	592	14.2	20	8.6	16	6.9
Total AA	4,651	100.0	4,188	100.0	232	100.0	231	100.0
Percentage of Businesses with Reported Revenues:				94.8		5.2		
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	2	0.4	1	0.2	1	11.1	0	0.0
Moderate-income	97	20.4	97	20.8	0	0.0	0	0.0
Middle-income	345	72.7	337	72.3	8	88.9	0	0.0
Upper-income	31	6.5	31	6.7	0	0.0	0	0.0
Total AA	475	100.0	466	100.0	9	100.0	0	0.0
Percentage of Farms with Reported Revenues:				98.1		1.9		

Based on 2000 Census data, 2004 MSA boundaries, and 2010 Dun & Bradstreet business information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's record of meeting the credit needs of its AA is considered satisfactory. Data utilized for the analysis included the bank's lending data, comparative area demographic data, comparative aggregate peer data, and input obtained from members of the local community. The analysis showed the majority of the bank loans were made inside the AA, with a reasonable distribution among borrowers of different income levels, businesses and farms of different sizes, and geographies of different income categories.

Net Loan-to-Deposit Ratio

The bank's average NLTD ratio is considered strong based on the institution's size, financial condition, local economic conditions, credit needs of its AA, and comparison to competing institutions located in the bank's AA and aggregate peer groups. The bank's NLTD ratio averaged 90.3 percent for the 16 quarters since the previous examination. The NLTD ratio was compared to five similarly situated competitor banks, which average ratios ranged from 41.3 percent to 114.8 percent over the same period. The bank's ratio exceeded all but one competitor bank's NLTD ratio. Comparison was also made to peer groups consisting of all "small bank" CRA lenders in the overall Oklahoma City MSA, State of Oklahoma, and United States with average ratios of 80.7 percent, 73.6 percent, and 76.4 percent, respectively. Overall, the bank's average NLTD ratio compared favorably to five competitor banks and exceeded all three peer group averages.

Lending Within the Assessment Area

Based on the sample of loans reviewed during the examination, the bank originated a majority of its loans within its AA. The analysis consisted of three loan products: HMDA residential real estate loans, commercial loans, and agricultural loans. Of the 491 loans reviewed, 74.9 percent were originated to borrowers within the bank's AA. The percentage and number of loans originated by product type are summarized in Table 3.

TABLE 3 LENDING WITHIN THE ASSESSMENT AREA								
Loan Type	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
HMDA Related Loans:								
Home Purchase	172	71.4	17,077	60.2	69	28.6	11,290	39.8
Refinance	130	79.8	17,741	75.7	33	20.2	5,709	24.3
Home Improvement	20	95.2	747	95.2	1	4.8	38	4.8
Multi-Family	2	100.0	138	100.0	0	0.0	0	0.0
HMDA Total	324	75.9	35,703	67.7	103	24.1	17,037	32.3
Commercial Loans	20	64.5	895	35.2	11	35.5	1,647	64.8
Farm Loans	24	72.7	2,583	36.7	9	27.3	4,447	63.3
Total	368	74.9	39,181	62.9	123	25.1	23,131	37.1

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans among geographies (census tracts) of different income levels, with emphasis on lending to LMI tracts. Overall, the bank's distribution of loans throughout the AA is considered reasonable. The bank's performance was compared to the percentage of owner-occupied housing units, businesses, and farms located in the geographies of each income level category. The results of the loan geographic distribution are summarized in Table 4.

Bank Loans/Demographics/Peer	Percent by Tract Income Category			
	Low	Moderate	Middle	Upper
HMDA Related Loans:				
Home Purchase	0.6	30.2	65.1	4.1
Refinance	0.0	22.3	73.1	4.6
Home Improvement	0.0	25.0	75.0	0.0
Multifamily	0.0	100.0	0.0	0.0
Bank - HMDA Total	0.3	27.2	68.5	4.0
2010 Aggregate HMDA Lending Data in AA ¹	0.2	18.4	60.2	21.2
Percent of Owner-Occupied Units	0.6	25.8	61.7	11.9
Bank - Business Loans	5.0	35.0	60.0	0.0
2010 Aggregate CRA Business Lending Data in AA ¹	0.6	22.7	47.6	16.2
Percent of Businesses in AA	1.7	32.3	52.5	13.5
Bank - Farm Loans	0.0	16.7	66.7	16.7
2010 Aggregate CRA Farm Lending Data in AA ¹	0.0	42.7	41.7	2.9
Percent of Farms in AA	0.4	20.4	72.6	6.5

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA or CRA filers. Aggregate data for 2010 is the most recent data available. (Numbers do not add up to 100 percent due to some aggregate loans with unknown tract.)

Residential Real Estate

Based on the demographics of the AA, the bank's level of residential lending in LMI tracts is considered reasonable. Although the bank's loan penetration in the low-income tract at 0.3 percent is slightly below the percentage of owner-occupied units in that geography, its loan penetration in middle-income tracts at 27.2 percent exceeded the AA's demographics at 25.8 percent. The bank's penetration in the LMI tracts exceeds the aggregate lending of all HMDA reporting institutions in the AA, which had penetrations of 0.2 percent and 18.4 percent in LMI tracts, respectively.

Business Loans

The bank's distribution of lending to businesses in LMI tracts is considered reasonable. Table 4 illustrates that the bank made 5.0 percent of its business loans in the low-income tract, while 1.7 percent of the AA businesses were located in the low-income tract. The bank's level of lending to businesses in the moderate-income tracts was similar to the volume of businesses in those tracts.

Farm Loans

The bank's geographic distribution of lending to farms is considered reasonable. There are no farms located in the low-income tract, which is located within the city of Chickasha. The bank's farm loan activity in the moderate-income tracts is somewhat below the level of farms located in those tracts and substantially below the aggregate CRA lending data reported, as shown in Table 4. The aggregate CRA lending level to farms in the moderate-income tracts (42.7 percent) indicates that other lenders are satisfying most of the limited loan demand in those tracts. Factors affecting the bank's farm loan penetration in moderate-income tracts include the location of the moderate-income tracts in relation to the bank's offices. The moderate-income census tracts are located in southern Grady County and central and eastern McClain County. A majority of the bank's offices are located near Chickasha, Oklahoma, which is in central Grady County. Also several financial institutions located in the eastern portion of McClain County are more conveniently located to serve the credit needs of those moderate-income tracts.

Distribution of Lending Among Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes

This performance criterion evaluates the bank's distribution of lending to borrowers of different income levels, particularly LMI individuals. It also focuses on the bank's level of lending to businesses and farms of different revenue sizes, primarily those with gross annual revenues of \$1 million or less. Based on the demographics and economic conditions of the AA, the bank's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses and farms of different revenue sizes. The analysis of lending to residential real estate borrowers, small businesses, and small farms focused on the number of loans originated, rather than the dollar volume, as it is a better indicator of the individuals and entities benefiting from these products. The results of the loan sample distribution are summarized in Table 5.

TABLE 5 LENDING DISTRIBUTION BY BORROWER INCOME LEVEL AND REVENUE SIZE OF BUSINESSES AND FARMS				
Bank Loans/Demographics/Peer	Percent by Borrower Income Category			
	Low	Moderate	Middle	Upper
HMDA Related Loans:				
Home Purchase	13.4	23.8	20.9	35.5
Refinance	7.7	13.8	19.2	55.4
Home Improvement	20.0	20.0	35.0	20.0
Multi-Family	0.0	0.0	0.0	0.0
Bank - HMDA Total	11.4	19.4	21.0	42.3
2010 Aggregate HMDA Lending Data in AA ¹	7.7	17.3	26.0	40.1
Percent of Families in AA	22.6	20.8	22.7	33.9
	Percent to Businesses with Gross Revenues < \$1 million			
Bank - Business Loans	80.0			
2010 Aggregate CRA Business Lending Data in AA ¹	34.7			
Percent of Businesses in AA	94.8			
	Percent to Farms with Gross Revenues < \$1 million			
Bank - Farm Loans	100.0			
2010 Aggregate CRA Farm Lending Data in AA ¹	88.1			
Percent of Farms in AA	98.1			

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA or CRA filers. Aggregate data for 2010 is the most recent data available. (Businesses and farms with unreported revenues were excluded.)

Residential Real Estate Loans

Based on the AA demographics, the bank's level of lending to LMI borrowers is considered reasonable. While the bank's percentage of HMDA related real estate loans made to low-income borrowers, at 11.4 percent, is below the percentage of low-income families in the AA, at 22.6 percent, the bank's loan originations to moderate-income borrowers was similar to the AA's demographics, as shown in Table 5. Also, when compared to aggregate HMDA lending reported in 2010 for the AA, the bank's percentages of loans to LMI borrowers exceeded the aggregate figures. It should be noted that the AA has a high percentage of vacant units and families living under the poverty levels, which affect the bank's ability to extend credit to LMI individuals.

Small Business Loans

The bank's level of lending to small businesses, which is defined by the CRA as a business with gross annual revenues of \$1 million or less, is considered reasonable. Table 5 illustrates that the bank's percentage of sampled loans to small businesses is somewhat below the percentage of small businesses in the AA that reported revenue data according to Dun & Bradstreet, but greatly exceeded the aggregate CRA lending data reported in the AA. Aggregate data is often skewed by credit card lenders, which make many small dollar credit card issuances to a single large corporation for employee business use.

As mentioned previously, one community contact stated that 80 percent of area businesses are small businesses but most of them have been paying down debt instead of seeking new credit due to current economic conditions. The analysis also revealed that a substantial majority of the bank's business loans were extended to small businesses. In addition, approximately 95 percent of the bank's commercial loans were in an amount of \$100,000 or less, which is an amount typically needed by smaller businesses.

Small Farm Loans

The bank's level of lending to small farms, which is defined by the CRA as a farm with gross annual revenues of \$1 million or less, is considered reasonable. Table 5 illustrates that the percentage of loans to small farms equaled 100 percent, which is substantially similar to the percentage of small farms in the AA (98.1 percent). In addition, 100 percent of the sampled loans were in an amount of \$100,000 or less, which is an amount typically needed by smaller farms.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. A review of bank policies and procedures, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants. In addition, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the credit needs of the community.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community Development – Includes affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income areas or designated disaster areas.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank):

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan, and
2. Benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area, and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA MFI. In non-MSA areas, the level is based on the statewide, non-MSA MFI.

Low-Income – Less than 50 percent of the area median family income.

Moderate-Income – At least 50 percent and less than 80 percent of the area median family income.

Middle-Income – At least 80 percent and less than 120 percent of the area median family income.

Upper-Income – At least 120 percent or more of the area median family income.

LMI – Collectively, low- and moderate-income families or tracts.

Metropolitan Statistical Area (MSA) – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Loan(s) to Business(es) – A loan included in “loans to small businesses” as defined in the Call Report. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s) – A loan included in “loans to small farms” as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.