



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First Farmers National Bank Of Waurika
Charter Number 12094**

**319 East D Street
Waurika, Oklahoma 73573**

**Assistant Deputy Comptroller
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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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- A substantial majority of the bank's loans are made within the assessment area (AA);
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes; and,
- The bank has not received any consumer complaints regarding CRA performance.

First Farmers National Bank is committed to serving the community and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

First Farmers National Bank (FFNB) is a \$39 million community bank that is owned by the Waid family. FFNB has done business in Waurika, Oklahoma, since 1906. An affiliation exists through common ownership with the First State Bank in Temple, Temple, Oklahoma. FFNB's primary focus is agricultural and consumer lending in the Northwest corner of Jefferson County.

FFNB offers a variety of loan and deposit products commensurate with its size and needs of the AA. The bank's current location offers several walk-up and drive-up teller windows. An automatic teller machine is located off-site at Delbert's Grocery Store, 203 D Street, Waurika, Oklahoma. FFNB does not have any branch office locations and does not have any financial or legal obstacles affecting its ability to meet the credit needs of the AA.

As of September 30, 2003, loans to agricultural related enterprises, individuals and commercial businesses, totaled \$15 million or 38 percent of FFNB's \$39 million in total assets. FFNB's loan portfolio is summarized below:

Loan Category	\$ (000)	%
Farmland	4,574	30.74
Agricultural Loans	4,552	30.60
Residential Real Estate Loans	2,459	16.53
Other Loans	1,675	11.26
Consumer Loans	1,618	10.87
Total	14,878	100.00

FFNB received an overall rating of "Satisfactory" at the last Community Reinvestment Act evaluation dated October 18, 1999.

DESCRIPTION OF THE ASSESSMENT AREA

The AA meets the requirements of the regulation, consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	1,855
Number of Households	2,703
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33%
% Middle-Income Census Tracts/BNA	67%
% Upper-Income Census Tracts/BNA	0%
Median Family Income (MFI)	
2000 MFI for AA	\$35,250
2003 HUD-Adjusted MFI	\$39,400
Economic Indicators	
Unemployment Rate	2.0%
2000 Median Housing Value	\$32,529
% of Households Below Poverty Level	20.0%

The assessment area (AA) is identified as census tract numbers 9716, 9717 and 9718, all located in Jefferson County, Oklahoma. The bank's operations are located within the AA. Based on 2000 data, the United States Census Bureau identifies no census tracts as low-or upper income, one tract as moderate-income, and two tracts as middle-income. The total population of the AA approximates seven thousand and is further described as three thousand households containing two thousand families. Of the two thousand families, approximately 27 percent, are described as low -, 19 percent as moderate -, 22 percent middle-, and 32 percent as upper – income households. The AA contains three thousand housing units with two thousand (or 59 percent) owner occupied. Households below the poverty level are 20 percent and households that receive public assistance total 9 percent.

FFNB's major competitors include local financial institutions located in the AA. The local economic conditions have stabilized at a lower level and are bordering on being depressed. The local economy is dominated by agriculture. Major agricultural products include cattle and wheat. There are few significant manufacturing or industrial businesses in the area. Major employers within the AA are Jefferson County Hospital, Metal Span, Elliot Mobile Home, Westbrook Nursing Home, Haliburton and Wal*Mart. The majority of local residents commute to work in Duncan, Oklahoma or Wichita Falls, Texas.

A community contact was conducted with the President of the Waurika Chamber of Commerce. The organization serves Waurika and the county by assisting local businesses, promoting tourism and attracting new business to the area. This contact indicated the credit needs of the area revolve around the need to provide funds to agricultural producers and supporting businesses. The contact further stated that this bank is actively involved in many aspects of the local community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses the bank'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/farms of different sizes; geographic distribution of loans; and, responses to complaints.

In evaluating the bank's lending performance, a random sample of 51 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: all residential real estate loans made since February 28, 2003 (15); consumer loans (18); and, loans to small business/farms (18).

Consistent with available resources and capabilities, the bank is meeting the credit needs of the entire AA in a satisfactory manner.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory. This determination is based on the bank's quarterly average loan-to-deposit ratio of 56 percent since the preceding public evaluation. The actual ratio at September 30, 2003, was 65 percent. The average loan-to-deposit ratio for the 13 banks in Jefferson and surrounding counties since the preceding examination was 63 percent, with average ratios ranging from 34 percent 78 percent. The average loan-to-deposit ratio for banks that FFNB management considers primary competitors is 60 percent. These banks and their average loan-to-deposit ratios are listed in the table below.

INSTITUTION	ASSETS (AS OF 09/30/03) (000s)	AVERAGE LTD RATIO
Waurika National Bank	15,910	51.49
<i>First Farmers National Bank</i>	39,076	55.89
Peoples Bank & Trust, Ryan	16,565	58.78
First State Bank in Temple	20,764	60.02
The First State Bank, Ryan	30,515	77.52

Lending in Assessment Area

FFNB's lending in the AA is excellent. A substantial majority of the consumer, residential real estate and small businesses/farm loans were originated within the bank's AA, as illustrated in the table below.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	14	77.78	80	73.39	4	22.22	29	26.77
Real Estate	14	93.33	427	96.81	1	6.67	13	3.02
Commercial/Ag	15	83.33	723	41.91	3	16.67	1,002	68.21
TOTAL REVIEWED	43	84.31	1,230	54.08	8	15.69	1,044	45.92

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

FFNB's overall distribution of loans by income level of borrowers meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 15 residential real estate loans, 18 consumer loans and 18 commercial/agricultural loans located in the AA.

FFNB's distribution of residential real estate loans by income level is satisfactory. The percentage of the number of home purchase loans to low-income and moderate-income borrowers is lower than the percentage of low-income and moderate-income families in the AA. The lack of penetration of loans in the low range is mitigated, as this level of income does not typically qualify for traditional residential real estate lending programs.

RESIDENTIAL REAL ESTATE								
BORROWER INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26.8		19.0		22.2		32.0	
Sample Loans in AA	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
14 Loans	20.00	11.24	20.00	10.11	26.67	23.18	33.33	55.47

FFNB’s distribution of consumer loans by income level is excellent. The percentage of the number of consumer loans to low-income borrowers is significantly higher than the percentage of low-income and moderate-income families in the AA. This distribution is excellent, in light of the fact that 31.8 percent of the households are considered low income (and 20 percent of these households have incomes below the poverty level).

CONSUMER								
BORROWER INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	31.8		16.8		17.0		34.4	
Sample Loans in AA	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
14 Loans	55.55	47.67	5.56	1.03	22.22	16.61	16.66	34.69

FFNB’s loan distribution of small businesses/farms in the AA is good. The percentage of bank loans to businesses/farms with revenues less than \$1 million is higher than the percentage of businesses/farms with revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	72.95	4.72
% of FFNB Loans in AA #	92.00	8.00
% of FFNB Loans in AA \$	52.65	47.35

22.33% did not report revenues.

Geographic Distribution of Loans

The geographical distribution analysis for the bank indicates there are no low-income or upper income census tracts in the assessment area. The moderate- and middle-income tracts are located on the Eastern side of Jefferson County. FFNB has little to no lending activity in this area due to significant geographic distance between the bank and this tract. Also, other banking institutions are located closer to this tract. As a result, FFNB’s loan sample indicates few loans extended in the moderate- and middle-income tract. The majority of loans sampled were located in the middle- income tract located closer to FFNB’s banking facility and is considered reasonable given the size of the institution and the fact that there are no branch offices.

RESIDENTIAL REAL ESTATE								
CENSUS TRACT INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		27.57		72.43		0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	21.43	11.59	14.29	7.31	28.57	23.90	35.71	57.20

CONSUMER								
CENSUS TRACT INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		27.2		72.8		0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	57.14	61.95	7.14	1.40	21.43	21.81	14.29	14.84

BUSINESS LOANS								
CENSUS TRACT INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		34.24		65.76		0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices. An analysis of public comments and consumer complaints received during 1999 – 2003 indicates that the bank has a good history of complying with anti-discrimination laws. Based on the analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation. The last comprehensive fair lending examination was performed during 1999.