



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**July 10, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank & Trust, Elk City  
Charter Number 9952**

**2714 West Third Street  
Elk City, OK 73644**

**Comptroller of the Currency  
Kyle M. Jones,  
Assistant Deputy Comptroller  
Central & Western Oklahoma Field Office  
The Harvey Parkway Building, Suite 490  
301 N.W. 63rd Street  
Oklahoma City, Oklahoma 73116**

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 major factors that support this rating include:

- A substantial majority of the loans sampled were originated within the bank's assessment area.
- The bank's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in the trade area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and to businesses and farms of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.
- The First National Bank and Trust, Elk City, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

## DESCRIPTION OF FIRST NATIONAL BANK & TRUST, ELK CITY, OKLAHOMA

First National Bank and Trust, Elk City, (FNB) is a community bank located in Elk City, Oklahoma. FNB is an affiliate of Western Oklahoma Financial Services, Inc. FNB's main office and ATM are located at 2714 West 3rd Street, Elk City, Oklahoma. A branch facility and ATM are located at 711 N.E. Highway 66, Sayre, Oklahoma. Another ATM is located at the Great Plains Regional Medical Center, 3rd & Lincoln, Elk City, Oklahoma. Management's and the Board's primary focus is to serve commercial, agricultural, and consumer customers in the Elk City and Sayre communities. The bank meets customer's needs by providing traditional loan and deposit products.

As of March 31, 2006, FNB had total assets of \$205 million, of which \$127 million, or 62 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises as depicted in the following table:

<b>Loan Mix of First National Bank, Elk City, Oklahoma</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>% of Gross Loans</b>
Real Estate Loans	82,469	64.86%
Agricultural Loans	20,456	16.09%
Commercial Loans	18,023	14.17%
Consumer Loans	6,210	4.88%
<b>Total</b>	<b>127,158</b>	<b>100.00%</b>

*Source: March 31, 2006 Consolidated Report of Condition.*

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of "Satisfactory" at the last Community Reinvestment Act examination dated February 4, 2002.

## DESCRIPTION OF FIRST NATIONAL BANK'S ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. The assessment area is described as the three census tracts surrounding the bank's facilities in Elk City & Sayre, Oklahoma. The three census tracts are numbered as 9661, 9662, & 9668, all in Beckham County, State of Oklahoma. The total population of the assessment area approximates 18 thousand.

Demographic and Economic Characteristics of Assessment Area	
<i>Population</i>	
Number of Families	4,513
Number of Households	6,618
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$35,517
2004 HUD-Adjusted MFI	\$41,400
<i>Economic Indicators</i>	
Unemployment Rate	2.67%
2000 Median Housing Value	\$54,413
% of Households Below Poverty Level	17%

*Source: 2000 U.S. Census data*

Although there are no low- or moderate-income census tracts in the assessment area, there are low- and moderate-income families located in the assessment area. Of the 4,513 families, 21.16 percent are low-income families, 17.84 percent are moderate-income families, 22.25 percent are middle-income families, and 38.75 percent are upper-income families. The median housing value is \$54,413 with the median age of housing stock at 39 years.

The economy is somewhat diversified due to the number of small business and agricultural operations in the assessment area. The largest employers in Elk City are Great Plains Regional Medical Center, a local hospital (400 employees), Elk City Public School System (250 employees), City of Elk City (130 employees), and Bar S Foods (125 employees). In Sayre, the largest employers are Beckham County (Sayre is the county seat for Beckham County), City of Sayre, and the Sayre Public School System. FNB's competition includes similar sized community banks headquartered in Elk City, Oklahoma. Other local competitors in the area include branches of larger financial institutions and several similar sized community banks located in or near the assessment area.

As part of this CRA evaluation, a community contact was made in the bank's assessment area to help ascertain the credit needs of the assessment area. According to the contact the immediate credit needs of the community are being fulfilled. The contact stated the banks were doing as much as they could to support credit and business development needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

To evaluate the FNB's lending performance, a random sample of 90 loans were reviewed. Major loan products offered by the bank were sampled and consisted of 30 consumer loans, 30 1-4 family residential real estate loans, and 30 business and farm loans. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

### *Loan-to-Deposit Ratio*

FNB's loan-to-deposit ratio is satisfactory. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 2002 through March 31, 2006 of 69 percent. This ratio compares favorably with the average loan-to-deposit ratio of 64 percent for the seventeen banks in FNB's trade area. FNB's actual loan-to-deposit ratio at March 31, 2006 was 69 percent. FNB's ratio compares reasonably with the three banks identified as primary competitors in the table below.

<b>Institution</b>	<b>Assets as of 3/31/2006</b>	<b>Average LTD Ratio</b>
Great Plains National Bank, Elk City	\$261,590	91%
Interbank, Elk City	\$162,179	78%
<b><i>First National Bank, Elk City</i></b>	<b><i>\$205,435</i></b>	<b><i>69%</i></b>
Bank of Western Oklahoma, Elk City	\$145,311	58%

### ***Lending in Assessment Area***

First National Bank’s lending in their assessment area meets the standards for satisfactory performance. A majority of the consumer, commercial, and residential real estate loans sampled were originated in the bank’s assessment area as detailed in the table below:

<b>TOTAL LOANS REVIEWED</b>								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	22	73.33%	215	73.03%	8	26.97%	79	26.67%
Commercial	24	80.00%	3,967	95.42%	6	20.00%	190	4.58%
Residential Real Estate	24	80.00%	1,125	82.46%	6	20.00%	239	17.54%
Total Reviewed	70	77.78%	5,307	91.26%	20	22.22%	508	8.74%

Source: Sample of 90 loans used to determine CRA performance.

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

FNB’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 the 22 consumer loans, 24 residential real estate loans, and 24 commercial loans located in the assessment area.

<b>Borrower Distribution of Consumer Loans in Beckham County</b>								
Borrower Income Level	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
	25%		16%		16%		40%	
% of AA Households	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer Loans	27%	16%	23%	20%	27%	23%	23%	41%

Source: U.S. Census data and consumer loan sample.

The distribution of consumer auto loans to low- and moderate-income households is satisfactory. The number of consumer loans extended to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households represented in the assessment area. The percentage of the number of loans extended to low-income borrowers is less than the percentage of low-income households in the assessment area. However, the percentage of the number of loans extended to moderate-income borrowers exceeds the percentage of moderate-income households in the assessment area.

<b>Borrower Distribution of Residential Real Estate Loans in Beckham County</b>								
Borrower Income Level	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
	% 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	21%	<b>21%</b>	18%	<b>29%</b>	22%	<b>13%</b>	38%	<b>37%</b>

Source: U.S. Census data and residential real estate loan sample.

First National Bank’s distribution of residential real estate loans by income level exceeds the standard for satisfactory performance. The percentage of the number of residential real estate loans to low-income equates to the percentage of low-income families in the assessment area. The percentage of the number of residential real estate loans to moderate-income families is higher than the percentage of moderate-income families in the designated assessment area.

<b>BORROWER DISTRIBUTION OF BUSINESS LOANS</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	52%	3%
% of Bank Loans in AA #	92%	8%
% of Bank Loans in AA \$	38%	62%

Note: 45 percent of businesses did not report revenues.

The distribution of loans to small businesses is good. The percentage of the number of small businesses with annual gross revenues of less than \$1 million in the bank’s assessment area is 52 percent, while the number and dollar volume of loans extended by the bank to small businesses represented 92 & 38 percent, respectively.

### ***Geographic Distribution of Loans***

An analysis of the geographic distribution of loans sampled would not be meaningful since there are no low- or moderate-income census tracts in the bank’s designated assessment areas.

### ***Responses to Complaints***

There have been no consumer complaints relevant to 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.