



SMALL BANK

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

PUBLIC DISCLOSURE

January 22, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southwest National Bank
Charter Number 8727**

**720 East Main Street
Weatherford, Oklahoma 73096**

**Comptroller of the Currency
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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:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a majority of its loans within the defined assessment area.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

Southwest National Bank, Weatherford, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Evaluation.

DESCRIPTION OF SOUTHWEST NATIONAL BANK

Southwest National Bank (SWNB) is a community bank headquartered in Weatherford, Oklahoma. The bank is majority owned by First Farm Credit Corporation of Custer County. The main bank, a drive-in facility and an automatic teller machine are located at 720 East Main Street, Weatherford, Oklahoma. A branch facility with a drive-in is located at 400 North Main, Custer City, Oklahoma.

The bank's primary focus is to serve agricultural, consumer and commercial customers in Weatherford, Custer City and the surrounding areas. The bank meets these needs by providing traditional loan and deposit products, as well as telephone and Internet access services. The bank operates a Mortgage Loan Department at the main bank, which originates loans that are sold in the secondary market. The bank also offers various government guaranteed loan products (FSA, SBA, and student loans). The main bank has extended lobby hours Monday – Saturday and they are open on some holidays to provide additional banking hours.

As of December 31, 2006, the bank's total assets equaled \$49 million, of which \$22 million, or 45 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Commercial Loans	8,020	35.98%
Consumer Loans	5,255	23.58%
Agricultural Loans	5,094	22.85%
Residential Real Estate Loans	3,921	17.59%
Total	22,290	100.00%

In addition to the loans held by SWNB, the bank originates long-term residential real estate loans that are sold in the secondary market. In 2004, the bank brokered 15 mortgage loans for the secondary market totaling \$1.4 million. In 2005, the bank brokered 9 mortgage loans totaling \$855 thousand. In 2006, the bank brokered 9 loans totaling \$821 thousand.

There are no legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. The bank received an overall rating of Satisfactory at the last Community Reinvestment Act examination dated July 15, 2002.

DESCRIPTION OF SWNB's ASSESSMENT AREA

The assessment area adopted by SWNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

The following demographic and economic characteristics for the assessment area are based on 2000 U.S. Census data.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA	
<i>Population</i>	
Number of Families	3,735
Number of Households	6,067
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33.33%
% Middle-Income Census Tracts/BNA	33.33%
% Upper-Income Census Tracts/BNA	33.33%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	42,332
2006 HUD-Adjusted MFI	42,600
<i>Economic Indicators</i>	
2000 Median Housing Value	67,063
% of Households Below Poverty Level	22.00%

SWNB has defined their assessment area as three contiguous census tracts within Custer County in Central and Western Oklahoma. There are no low- income census tracts. The total population of the assessment area equates to 15,395, with 2,115 or 13.74 percent of the population as minority. The largest minority representation consists of American Indian, at 5.23 percent of the population. Of the 3,735 families, 16.80 percent are low-income families and 15.69 percent are moderate-income families.

The local economic conditions are good. The economy is somewhat diversified due to the number of small businesses, agricultural operations, Southwestern Oklahoma State University and the oil and gas industry. The area has benefited from an increase in the oil and gas related businesses. The major employers in the area are the University, the Weatherford Public School District, Chesapeake Energy Corporation and Imation Enterprises (computer disk drives).

SWNB faces strong competition from several branches of larger financial institutions, stand-alone banks, and some small loan companies in the assessment area.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. There is generally a need for lower- and moderate-income housing. SWNB is involved in community development activities and programs in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses SWNB's 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.

We concentrated on the bank's primary loan products. As of December 31, 2006, the bank's primary loan products are business, agricultural and consumer loans. Therefore, we utilized 2004, 2005 and 2006 originations for these loan types to evaluate the lending performance component.

Loan-to-Deposit Ratio (LTD)

The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. This determination is based on the bank's quarterly average LTD ratio from June 30, 2002 through September 30, 2006 of approximately 57 percent. The average quarterly LTD of the twenty-six banks chartered in Beckham, Blaine, Caddo, Custer, Dewey, Roger Mills and Washita Counties range from a low of 22.94 percent to a high of 108.95 percent.

The quarterly average loan-to-deposit ratios for the five similarly situated banks in the area are listed in the table below.

Institution	Assets as of 9/30/2006 \$ (000)	Average LTD Ratio
First National Bank of Weatherford	88,884	84.05%
First State Bank, Watonga	33,906	64.71%
<i>Southwest National Bank, Weatherford</i>	<i>47,729</i>	<i>56.75%</i>
The First National Bank of Thomas	35,877	53.10%
Cornerstone Bank, Watonga	65,179	41.72%
First Bank & Trust Co, Clinton	41,997	39.80%

Lending in Assessment Area

SWNB's lending in their assessment area meets the standard for satisfactory performance. The majority of the loans are originated in the bank's assessment area. This conclusion is based on the samples of 24 consumer loans and 25 business/agricultural loans that originated in 2004, 2005 and 2006, as depicted in following table.

Total Loans Reviewed										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	16	66.67	8	33.33	24	130,654	72.85	48,698	27.15	179,352
Business/Agricultural	18	72.00	7	28.00	25	823,647	74.04	288,731	25.96	1,112,378
Totals	34	69.39	15	30.61	49	954,301	73.88	337,429	26.12	1,291,730

Source: Sample of 49 loans used to determine CRA performance

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

SWNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and businesses/farms of different sizes. The following tables represent the distribution of lending based on the sample of 20 business/agricultural loans and 20 consumer loans extended within the assessment area.

Borrower Distribution of Loans to Businesses/Farms				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business/Farms	52.95%	3.00%	44.05%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0%	100%
% of Bank Loans in AA by \$	98.17%	1.83%	0%	100%

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

The sample of business/agricultural loans revealed that all but one of the loans was extended to small businesses/farms with annual gross revenues of less than \$1 million per year.

Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	23.16%	30.00%	15.66%	35.00%	19.27%	20.00%	41.91%	15.00%

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

The number of consumer loans extended to low- and moderate-income households compares favorably to the percentages of those households represented in the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance. The number of loans extended in the various income tracts is representative of the percentage of the population within those tracts. There are no low-income census tracts in the assessment area.

The following tables represent a reasonable distribution of lending based on the random sample of 20 business/agricultural loans and 20 consumer loans extended within the assessment area.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% 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	0%	0%	30.92%	15%	22.56%	15%	46.51%	70%

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

Consumer lending in the moderate-income census tract is lower than the percentage of households located in the moderate-income census tract. Although the sample reflected a low number of loans extended in the moderate-income census tract, the review did note numerous loans extended to low- and moderate-income individuals. The lower number of loans in the moderate-income tract can also be attributed to the fact that the majority of the residences and businesses in the City of Weatherford are located in the adjoining upper-income tract and the main bank is also located in that same tract.

Geographic Distribution of Loans to Businesses/Farms								
Census Tract Income Level	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% 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
Business/Farm Loans	0%	0%	23.84%	25%	23.33%	10%	52.83%	65%

Source: U.S. Census data and business/farm loan sample

The number of loans extended in the moderate-income census tract compares reasonably to the businesses/farms in the moderate-income census tract.

Responses to Complaints

SWNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

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.