



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**June 4, 2007**

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

**The Waurika National Bank  
Charter Number 8861**

**101 North Main  
Waurika, Oklahoma 73573**

**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.

## **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 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 meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

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

## DESCRIPTION OF WAURIKA NATIONAL BANK

Waurika National Bank (WNB) is a community bank headquartered in Waurika, Oklahoma. WNB is a family owned bank. The main bank and a drive-in facility are located at 101 North Main Street in Waurika, Oklahoma. WNB does not have any branches or automated teller machines. No locations have been opened or closed since the previous Community Reinvestment Act (CRA) examination.

The bank's primary focus is to serve consumer, agricultural and commercial customers in Waurika and the surrounding areas. The bank meets these needs by providing traditional loan and deposit products.

As of March 31, 2007, the bank's total assets equaled \$16 million, of which \$6.3 million, or 39 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:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural Loans	3,513	55.86%
Consumer Loans	1,165	18.52%
Commercial Loans	850	13.52%
Residential Real Estate Loans	761	12.10%
<b>Total</b>	<b>6,289</b>	<b>100%</b>

There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. WNB is involved in and provides support to the community's financial needs. The bank also received an overall rating of Satisfactory at its April 10, 2003 CRA examination.

## DESCRIPTION OF WNB's ASSESSMENT AREA

The assessment area adopted by WNB 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.

WNB's assessment area is identified as all of Jefferson County in Southern Oklahoma. The assessment area includes census tracts 9716, 9717 and 9718. The bank is located in middle-income census tract 9718. The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA	
<i>Population</i>	
Number of Families	1,855
Number of Households	2,703
<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	66.67%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	29,772
2006 HUD-Adjusted MFI	42,600
<i>Economic Indicators</i>	
2000 Median Housing Value	34,892
% of Households Below Poverty Level	20.57%

The total population of the assessment area is 6,818 persons. Although there are no low-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 1,855 families, 27 percent are low-income families and 19 percent are moderate-income families. Of the 2,703 households, 21 percent are below the poverty level. The median housing value is \$34,892 with the median age of housing stock at 45 years.

The local economic conditions have stabilized at a lower level and are bordering on being depressed. The agricultural sector has seen some downsizing, with farm land selling and farmers holding their deposits. The local economy is dominated by agriculture. Major agricultural products include cattle and wheat. The major employers in the area are the Waurika Public School District, Jefferson County Hospital and Jefferson County offices.

WNB faces strong competition from another bank in Waurika and several other financial institutions located in the surrounding towns.

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. The main financial need in the area is for agricultural related loans, home improvement loans, and consumer loans. There is generally a need for low- and moderate-income housing. WNB is involved in community development activities and programs in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation assesses WNB'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.

To evaluate WNB's lending performance, a random sample of 47 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 24 consumer loans and 23 agricultural loans that were originated since December 31, 2004. Based on the analysis and consistent with available resources and capabilities, WNB is meeting the credit needs of the assessment area in a satisfactory manner.

### *Loan-to-Deposit Ratio (LTD)*

WNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The average quarterly LTD ratio from March 31, 2003 through March 31, 2007 is 47 percent. The average quarterly LTD of the sixteen banks chartered in Jefferson, Cotton, Carter, Love and Stephens Counties in Oklahoma and Clay and Montague Counties in Texas range from a low of 39 percent to a high of 88 percent. The quarterly average LTD ratios for the five similarly situated banks in the area are listed in the table below.

Institution	Assets as of 12/31/2006 \$ (000)	Average LTD Ratio
The First State Bank, Ryan, OK	38,214	79%
Peoples Bank & Trust Co., Ryan, OK	16,958	68%
First State Bank in Temple, OK	22,612	67%
The First Farmers National Bank of Waurika, OK	38,889	60%
<b><i>Waurika National Bank</i></b>	<b><i>16,097</i></b>	<b><i>47%</i></b>
Walters Bank & Trust Co., Walters, OK	48,092	39%

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

WNB'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 23 agricultural loans that originated in 2005, 2006 and as of May 31, 2007, as depicted in following table.

<b>Total Loans Reviewed</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Consumer	19	79%	5	21%	24	\$170,310	58%	\$123,887	42%	\$294,197
Agricultural	18	78%	5	22%	23	\$568,214	71%	\$228,988	29%	\$797,202
Totals	37	79%	10	21%	47	\$738,524	68%	\$352,875	32%	\$1,091,399

*Source: Sample of 47 loans used to determine CRA performance*

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

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

<b>Borrower Distribution of Loans to Farms</b>				
<b>Farm Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Farms	95%	5%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: U.S. Census data and farm loan sample*

WNB's loan distribution to farms is good. The sample of agricultural loans revealed that all of the loans were extended to small farms with annual gross revenues of less than \$1 million per year.

<b>Borrower Distribution of Consumer Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% 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	32%	25%	17%	25%	17%	25%	34%	25%

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

WNB's distribution of consumer loans by income level is reasonable. The number of consumer loans extended to low-income borrowers is slightly below the percentage of low-income households represented in the assessment area, but the number of loans to moderate-income borrowers compares favorably to the percentages of moderate-income households represented in the assessment area.

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

Less weight was given to the geographic distribution of loans when considering overall performance, due to the fact that there are no low-income census tracts and only one moderate-income census tract in WNB's assessment area.

The distribution of farm and consumer loans to geographies of different income levels is reasonable and meets the standard for satisfactory performance. The following tables represent the distribution of lending, based on the sample of 20 agricultural loans and 20 consumer loans extended within the assessment area.

<b>Geographic Distribution of Loans to Farms</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% 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
Farm Loans	0%	0%	20%	30%	80%	70%	0%	0%

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

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



<b>Geographic Distribution of Consumer Loans</b>								
<b>Census Tract Income Level</b>	<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%	27%	0%	73%	100%	0%	0%

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

Although the consumer loan sample reflected no loans extended in the moderate-income census tract, the review did note that 50 percent of the consumer loans were extended to low- and moderate-income individuals. The lack of loans in the moderate-income tract can be attributed to the fact that it is located in the southern portion of Jefferson County. This area is primarily served by two other stand-alone banks in Ryan and this tract has the least number of households in Jefferson County.

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

WNB 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.