



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 18, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southwest National Bank
Charter Number 8727

720 East Main
Weatherford, OK 73096-0000

Office of the 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.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is based largely on 2000 U.S. Census data, 2010 business demographic information, and 2011 Assessment Area Demographic Data. The bank's assessment area was reviewed and included the census tracts in which the bank has its main office and branch. Products reviewed for SWNB included a sample of consumer loans and agriculture/business loans originated in 2009, 2010, and through July 18, 2011. SWNB is not located in a Metropolitan Statistical Area; therefore they are not required to complete the Home Mortgage Disclosure Act (HMDA) reporting log.

DESCRIPTION OF INSTITUTION

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, etc). The main bank has extended lobby hours Monday – Saturday and they are open on some holidays to provide additional banking hours.

As of March 31, 2011, the bank's total assets equaled \$55.5 million, of which \$27 million, or 47 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	Dollar Amnt	Percentage
Residential Real Estate Loans	16,012	59.74%
Consumer Loans	4,227	15.77%
Commercial Loans	3,592	13.40%
Agricultural Loans	2,913	10.87%
Other Loans	60	0.22%
Total	26,804	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. Since 2008, the bank has brokered 59 mortgage loans.

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 January 22, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

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
2011 HUD-Adjusted MFI	47,200
<i>Economic Indicators</i>	
2011 Median Housing Value	67,063
% of Households Below Poverty Level	21.59%

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, and Chesapeake Energy Corporation.

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 WITH RESPECT TO 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 March 31, 2011, the bank's primary loan products are business/agricultural and consumer loans. Therefore, we utilized 2009, 2010, and 2011 originations for these loan types to evaluate the lending performance component.

Loan-to-Deposit Ratio

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 March 31, 2007 through March 31, 2011 of approximately 61 percent. The average quarterly LTD of the five banks chartered in Custer county totals 63.46 percent.

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

NAME	CITY	STATE	CHARTER	Average LTD
Bank of The West, The	Thomas	OK	325703	105.43
First Bank and Trust Company	Clinton	OK	215348	48.32
First National Bank of Weatherford	Weatherford	OK	15407	80.05
Oklahoma Bank and Trust Company	Clinton	OK	304067	35.64
Southwest National Bank	Weatherford	OK	8727	60.96
The First National Bank of Thomas	Thomas	OK	7278	50.34

Lending in Assessment Area

SWNB’s lending in their assessment area meets the standard for satisfactory performance. A majority of the loan types reviewed in this evaluation were originated inside the bank’s assessment area. This conclusion is based on the samples of 20 consumer loans and 20 business/agricultural loans that originated in 2009, 2010, and through July 18, 2011, as depicted in the following table:

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	14	70.00	6	30.00	20	195,575	73.13	71,870	26.87	267,445
Business/Agricultural	13	65.00	7	35.00	20	694,287	60.22	458,575	39.78	1,152,862
Totals	27	67.50	13	32.50	40	889,862	62.65	530,445	37.35	1,420,307

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

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 and is considered to have achieved reasonable penetration in its assessment area. The following tables represent the distribution of lending based on the sample of 20 business/agricultural loans and 20 consumer loans:

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	23.16%	25.00%	15.66%	20.00%	19.27%	25.00%	41.91%	30.00%

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

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

Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business/Farms	76.46%	2.75%	20.79%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0%	100%
% of Bank Loans in AA by \$	72.22%	27.78%	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.

Geographic Distribution of Loans

The geographic distribution of loans demonstrates reasonable dispersion and 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:

<i>Geographic Distribution of Consumer Loans</i>								
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%	35%	22.57%	45%	46.51%	20%

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

Consumer lending in the moderate-income census tract is reasonable and is higher than the percentage of households located in the moderate-income census tract. At the prior examination the sample reflected a low number of loans extended in the moderate-income census tract although the review did note numerous loans extended to low- and moderate-income individuals. The bank has shown greater consciousness in lending in the moderate income tract since the prior examination.

<i>Geographic Distribution of Business Loans</i>								
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%	30.43%	25%	21.25%	40%	48.33%	35%

Source: U.S. Census data and business/ag 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. The lower number of loans in the moderate-income tract can 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.

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.