



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 17, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Weatherford
Charter Number 15407

1100 East Main
Weatherford, OK 73096-0000

Office of the Comptroller of the Currency

Oklahoma City Field Office
The Harvey Parkway Building
301 NW 63rd Street, Suite 490
Oklahoma City, OK. 73116-7908

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 supporting the institution's rating include the following;

- A majority of the bank's loans were originated within the bank's assessment area (AA).
- The loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- The bank's distribution of loans reflects a reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance.
- The bank's geographical distribution of consumer loans to areas of different income levels reflects a reasonable penetration and meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on data from a sample of home mortgage, vehicle and small business loans originated in 2008, 2009 and 2010.

DESCRIPTION OF INSTITUTION

First National Bank and Trust Company of Weatherford (FNB) is a community bank headquartered in Weatherford, Oklahoma. The bank is 100% owned by First National Bancshares of Weatherford, Inc., a one-bank holding company. The main bank and drive-in facility are located at 1100 East Main Street in Weatherford, Oklahoma. FNB operates two full service branches at 120 South Market Street in Cordell, Oklahoma, and 1107 North Broadway in Hinton, Oklahoma. FNB also operates seven proprietary automated teller machines (ATM's). Four ATM's are located in Weatherford at 1101 North Washington, 920 East Main Street inside United Supermarket, 100 Campus Drive inside Southwestern Oklahoma State University Student Union, and 1311 East Main Street inside Comfort Inns & Suites. One ATM is located in Cordell at 120 South Glenn English. Two ATM's are located in Hinton, one at the branch location and the second at the Sooner Superette Convenience Store. The bank has not closed any facilities since the last evaluation, and has added the seventh ATM at the convenience store in Hinton.

The bank's primary focus is to serve commercial and consumer customers in Weatherford, Cordell and Hinton, and the surrounding areas. The bank meets these needs by providing traditional loan and deposit products and services, as well as telephone and Internet access, and trust services.

As of December 31, 2009, FNB’s total assets equaled \$104.5 million, of which \$73.4 million, or 72 percent, were composed of various types of loans to individuals and commercial businesses. Specifically, the bank’s loan portfolio consists of the following:

LOAN CATEGORY	\$ (000)	%
Real Estate Loans	\$36,332	49.48%
Commercial and Industrial Loans	\$20,255	27.59%
Individual Loans	\$8,748	11.91%
Agricultural Loans	\$8,088	11.02%
Other Loans	\$0	0.00%
Total	\$73,423	100.00%

There are no legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. The bank received a “Satisfactory” rating at the prior CRA examination, dated October 31, 2005.

DESCRIPTION OF ASSESSMENT AREA

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

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

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF FNB's AA	
Population	
Number of Families	6,669
Number of Households	10,164
Geographies	
Number of Census Tracts	7
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	14.29%
% Middle-Income Census Tracts	71.42%
% Upper-Income Census Tracts	14.29%
Median Family Income	
Census MSA Median Family Income	\$38,029
HUD Updated MSA Median Family Income	\$46,400
Economic Indicators	
% Unemployment Rate	2.15%
Median Housing Value	\$58,478
% of Households Below Poverty Level	19.91%

Source: 2000 U.S. Census and 2008 HUD updated income data.

FNB has defined their assessment area as seven contiguous census tracts within Blaine, Caddo, Custer, and Washita Counties in Central and Western Oklahoma. The total population of the assessment area equates to 26,661, with 4,111 or 15.42 percent of the population as minority. The largest minority representation consists of American Indian/Alaskan Native, at 5.33 percent of the population. Although there are no low-income census tracts and only one moderate-income census tract in the assessment area, there are low- and moderate-income families in the assessment area. Of the 6,669 families, 18.16 percent are low-income families and 17.69 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 and the strong enrollment at Southwestern Oklahoma State University. Weatherford has experienced growth in residential real estate construction. The major employers in the Weatherford area are Imation (formerly 3M), Southwestern Oklahoma State University and the local school system. The major employer in Hinton is Cornell Co, Inc. (prison). The major employer in Cordell it is the Robertson Factory (drapery factory).

FNB faces strong competition from several branches of larger financial institutions and stand-alone banks 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. FNB is involved in community development activities and programs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The bank’s performance under the Lending Test is rated **“Satisfactory.”**

Loan-to-Deposit Ratio

FNB’s loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance. The bank’s loan-to-deposit ratio at December 31, 2009 was 85.20 percent. The bank’s average quarterly loan-to-deposit ratio from September 30, 2005 through December 31, 2009 was 82.31 percent. This average was compared to the average of four similar banks located in or adjacent to FNB’s AA with total assets between \$45 million and \$250 million, for the same time period. These average loan-to-deposit ratios are listed in the following table:

Loan-To-Deposit Ratios		
Institution	Total Assets \$000’s (As of 12/31/09)	Average Loan –to- Deposit Ratio
First National Bank, Elk City, OK	\$245,979	70.28%
<i>First National Bank of Weatherford, OK</i>	<i>\$104,464</i>	<i>82.31%</i>
Interbank, Elk City, OK	\$226,654	92.13%
Bank of Western OK, Elk City, OK	\$182,269	71.61%
Southwest National Bank, Weatherford, OK	\$45,332	58.91%

Source: Institution Reports of Condition from September 30, 2005 to December 31, 2009

Lending in Assessment Area

FNB’s lending in its AA meets the standard for satisfactory performance. A majority of the number and dollar amount of home mortgage, vehicle and small business loans were originated within the bank’s AA. As depicted in the following table, 76.25 percent of the number and 70.11 percent of the dollar amount of loans were originated in FNB’s AA.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	21	72.41%	8	27.59%	29	\$2,118	64.67%	\$1,157	35.33%	\$3,275
Vehicle	20	74.07%	7	25.93%	27	\$147	82.12%	\$32	17.88%	\$179
Small Business	20	83.33%	4	16.67%	24	\$935	84.23%	\$175	15.77%	\$1,110
Totals	61	76.25%	19	23.75%	80	\$3,200	70.11%	\$1,364	29.89%	\$4,564

Source: Sample of 2008- 2009 home mortgage, vehicle and small business loans.

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

FNB’s borrower distribution of home mortgage loans, vehicle loans and small business loans in the AA reflects reasonable penetration and meets the standard for satisfactory performance.

The bank’s borrower distribution to businesses with revenues of \$1 million or less is excellent. The percentage of bank loans by dollar and number exceeded the percentage of reporting businesses with revenues of \$1 million or less in the AA. However, note that 33.81 percent of the businesses in the AA did not report income data.

Borrower Distribution of Loans to Businesses in FNB’s AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.26%	2.93%	*33.81%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100%
% of Bank Loans in AA by \$	97.52%	2.48%	0.00%	100%

Source: Loan sample of 2008-2009 small business loans; Dunn and Bradstreet data. * 33.81% of the businesses did not report income data.

The bank’s distribution of home mortgage loans is satisfactory. While the percentage of home mortgage loans extended to low-income borrowers is less than the percentage of low-income families in the AA, the percentage of home mortgage loans extended to moderate-income borrowers exceeds the percentage to moderate-income families in the AA. Low-income borrowers typically have a difficult time qualifying for conventional home mortgage products.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Mortgage	18.16%	4.76%	17.69%	23.81%	22.36%	28.57%	41.79%	42.86%

Source: Home loan sample 2008-2009; U.S. Census data.

The distribution of the number of vehicle loans to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households in the AA for an overall excellent performance.

Borrower Distribution of Vehicle Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	23.97	30.00	15.42	20.00	20.05	25.00	40.56	25.00

Source: Loan sample of 2008-2009 vehicle loans.

Geographic Distribution of Loans

The bank’s AA, which consists of seven census tracts, has no low-income tracts and only one moderate-income tract. The moderate tract has a population of only 4900, which consists primarily of college students attending Southwestern Oklahoma State University. This population would not necessarily be in the market for small business or home mortgage loans. However, there would be a demand for vehicle loans. Therefore, a geographic distribution of vehicle loans was performed.

The geographic distribution of vehicle loans is good as the percentage of loans extended to moderate-income borrowers exceeds the percentage of AA households located in the moderate-income tract.

Geographic Distribution of Vehicle Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	0.00	0.00	18.46	25.00	53.78	50.00	27.76	25.00

Source: Loan sample of 2008-2009 vehicle loans.

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 discriminatory or other illegal credit practices with helping to meet community credit needs.