



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Waurika National Bank
Charter Number 8861**

**101 North Main
Waurika, OK 73573**

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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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WAURIKA NATIONAL BANK'S CRA RATING

Waurika National Bank is rated Satisfactory.

The major factors that support this rating include:

- A substantial majority of the bank's loans are made within the assessment area (AA).
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and business of different sizes.
- The bank has not received any consumer complaints regarding CRA performance.

Waurika National Bank is committed to serving the community and demonstrates satisfactory lending performance.

DESCRIPTION OF WAURIKA NATIONAL BANK

Waurika National Bank (WNB) is a \$13 million financial institution headquartered in Waurika, Oklahoma. WNB is a family owned bank located in Waurika, Oklahoma. WNB's primary focus is agricultural and consumer lending in the Northwest corner of Jefferson County. WNB offers a variety of loan and deposit products. WNB and an extended hours drive-up teller are located at 101 Main Street in Waurika, Oklahoma. WNB does not have any branches or automated teller machines (ATM).

As of December 31, 2002, loans to agricultural related enterprises, individuals, and commercial businesses, totaled \$6 million or 46 percent of WNB's \$13 million in total assets. WNB's loan portfolio is summarized below:

Loan Category	\$ (000)	%
Agricultural Loans	3,138	53.25
Consumer Loans	1,479	25.10
Commercial Loans	913	15.49
Real Estate Loans	363	6.16
Total	5,893	100.00

The bank received an overall rating of "Satisfactory" at the last Community Reinvestment Act evaluation dated January 4, 1999. There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area.

DESCRIPTION OF JEFFERSON COUNTY

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

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,961
Number of Households	2,847
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33%
% Middle-Income Census Tracts/BNA	67%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$20,956
2002 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	2.84%
2002 Median Housing Value	\$21,942
% of Households Below Poverty Level	26.45%

The assessment area (AA) is identified as all of Jefferson County in Southern Oklahoma. The bank's operations are located in the AA. Based on 1990 data, the United States Census Bureau identifies no census tracts as low-income, one tract as moderate-income, three tracts as middle-income, and no tracts as upper-income. The total population of the AA approximates 7 thousand. Additionally, there were 2 thousand families and 3 thousand households. Of the 2 thousand families, 27.64 percent, 18.0 percent, 25.65 percent, and 28.71 percent report low, moderate, middle, and upper-incomes, respectively. The AA contains 3.5 thousand housing units with 2.8 thousand or 81 percent owner occupied. Households below the poverty level are 26 percent and households that receive public assistance total 10 percent.

WNB's major competitors include local financial institutions located in the AA. The local economic conditions have stabilized at a lower level and are bordering on being depressed. The local economy is dominated by agriculture. Major agricultural products include cattle and wheat. There are few significant manufacturing or industrial businesses in the area. Major employers are the Jefferson County Detention Center, local school districts, and the county. The majority of local residents commute to work in Duncan, Oklahoma or Wichita Falls, Texas.

A community contact was conducted with a local state employee involved in the improvement of Jefferson County. The organization serves the county by disseminating research-based information to area residents. The contact indicated that the credit needs of the area revolve around the need to provide funds to agricultural producers and supporting businesses. Also, the local community would benefit from the development of additional small businesses to help build the local tax base. The contact further stated that this bank is actively involved in all aspects of local the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses the bank's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints.

In evaluating the bank's lending performance, a random sample of 66 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: all residential real estate loans made since December 31, 1998 (19), consumer loans (26), and loans to small businesses/farms (21).

Consistent with available resources and capabilities, the bank is meeting the credit needs of the entire AA in a satisfactory manner.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory. This determination is based on the bank's quarterly average loan-to-deposit ratio of 49 percent since the preceding public evaluation. The actual ratio at December 31, 2002, was 56 percent. The average loan-to-deposit ratio for the 16 banks in Jefferson and the surrounding counties since the preceding examination was 61 percent, with average ratios ranging from 33 percent to 78 percent. The average loan-to-deposit ratio for local banks considered to be primary competitors was 60 percent. The banks and their loan-to-deposit ratios are listed in table below.

Institution	Assets as of 12/31/02 (000's)	Average LTD Ratio
The First Farmers National Bank of Waurika	\$39,808	54.18%
The First State Bank, Ryan	\$28,147	75.88%
Peoples Bank & Trust Company, Ryan	\$16,005	63.44%
First State Bank in Temple	\$20,297	58.41%
<i>Waurika National Bank</i>	<i>\$13,026</i>	<i>49.45%</i>

Lending in Assessment Area

WNB's lending in the AA is excellent. A substantial majority of the consumer, residential real estate, and small businesses/farms loans were originated within the bank's AA, as illustrated in the table below.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	23	88.46	154	75.68	3	11.54	49	24.32
Residential R/E	18	94.74	521	95.90	1	5.26	22	4.10
Commercial/Ag	20	95.24	2,535	92.91	1	4.76	194	7.09
Total Reviewed	61	92.42	3,210	92.37	5	7.58	265	7.63

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

WNB'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 18 residential real estate loans, 23 consumer loans, and 20 commercial/agricultural loans located in the AA.

WNB's distribution of residential real estate loans by income level is satisfactory. The percentage of the number of home purchase loans to low-income and moderate-income borrowers is lower than the percentage of low-income and moderate-income families in the AA. The lack of penetration of loans in the low range is mitigated, as this level of income does not typically qualify for traditional residential real estate lending programs.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	27.64		18.00		25.65		18.41	
	% of Number	% of Amount						
	16.67	4.14	16.67	8.96	27.78	34.12	38.89	52.79

Families are defined as a traditional family unit earning within the income levels noted in the graph.

WNB's distribution of consumer loans by income levels is excellent. The percentage of the number of consumer loans to low-income and moderate-income borrowers is significantly higher than the percentage of low-income and moderate-income families in the AA. This distribution is excellent, in light of the fact that 32.95 percent of the households are considered low income (and 26.45 percent of these households have incomes below the poverty level).

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	32.95		17.49		17.77		31.79	
	% of Number	% of Amount						
	42.86	44.36	19.05	24.48	33.33	29.36	4.76	1.80

Households are defined as individual(s) living in a single unit (house or multifamily) with earnings falling within the areas noted above.

WNB's loan distribution to small businesses/farms in the AA is good. The percentage of bank loans to businesses/farms with revenues less than \$1 million is higher than the percentage of businesses/farms with revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS AND BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	75.48	5.16
% of Bank Loans in AA #	90.00	10.00
% of Bank Loans in AA \$	88.65	11.35

Businesses/farms not reporting revenues was 19.35 percent.

Geographic Distribution of Loans

A meaningful geographical analysis could not be performed. There are no low-income census tracts and only one moderate-income census tract in the assessment area. The moderate-income tract is located on the Eastern side of Jefferson County. WNB has little to no lending activity in this area, due to the geographic distance between the bank and this tract. Also, other banking institutions are located closer to this tract. As a result, the analysis of WNB's loans indicated that there were no loans extended in the moderate-income tract. All of the loans sampled were located in the two middle-income tracts located closer to WNB's banking facility.

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

Record of Compliance with Anti-discrimination Laws

An analysis of public comments and consumer complaints received during 1999 - 2003 indicates that the bank has a good history of complying with anti-discrimination laws. Based on the analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation. The last comprehensive fair lending exam was performed during 1999.