



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 03, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust, Elk City
Charter Number 9952**

**2714 West Third Street
Elk City, Oklahoma 73030**

Office of the Comptroller of the Currency
Oklahoma City Field Office
Kyle M. Jones, Assistant Deputy Comptroller
Harvey Parkway Building, Suite 490
301 NW 63rd Street
Oklahoma City, Oklahoma 73116-7906

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

Satisfactory

The major factors that support this rating include the following:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- A substantial majority of the bank's loans are made within the assessment area (AA);
- 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; and,
- The First National Bank and Trust, Elk City, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information with certain data updated to 2010. Conclusions regarding the Lending Test are based on data from a sample of small business loans, residential real estate loans, and consumer/vehicle loans extended from January 1, 2008 through December 31, 2010.

DESCRIPTION OF INSTITUTION

First National Bank and Trust, Elk City, (FNB) is a community bank located in Elk City, Oklahoma. FNB is wholly owned by Western Oklahoma Financial Services, Inc., a one-bank holding company. The bank's main office and drive-through facility, which includes an ATM, is located at 2714 West 3rd Street, Elk City, Oklahoma. A limited service paying and receiving facility is located in downtown Elk City at 102 S. Main, Elk City, OK primarily for the convenience of retail deposit customers. Another ATM is located at the Great Plains Regional Medical Center, 3rd & Lincoln, Elk City, Oklahoma. In addition, a full service branch facility and ATM are located at 711 N.E. Highway 66, Sayre, Oklahoma; and an ATM is located at the Sayre Memorial Hospital, 911 Hospital Drive Sayre, OK. Management's and the Board's primary focus is to serve commercial, agricultural, home loan and other consumer customers in the Elk City and Sayre communities. The bank meets its customer's needs by providing traditional loan and deposit products.

As of September 30, 2010, FNB had total assets of almost \$259 million, of which \$150 million, or 58 percent, were comprised of various types of loans to commercial businesses, residential estate loans, loans to agricultural related enterprises, and consumer/vehicle loans as depicted in the following table:

Loan Category	\$000	%
Business Loans	\$60,927	40.52
Residential RE (Home) Estate	\$48,452	32.22
Farm Loans	\$35,032	23.30
Consumer/Vehicle Loans	\$ 5,946	3.96
Total	\$150,357	100.00

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. The bank is well capitalized. A "*Satisfactory*" rating was assigned at the last Community Reinvestment Act review, which was performed as of June 10, 2006.

The bank's primary focus is to serve business and home loan customers and other consumers in its AA. Agricultural lending is also an important credit service. FNB meets these needs by providing various types of loan and deposit products and services. The ability to lend in its AA continues to be impacted by strong competition from other banks and financial institutions, or branches of those institutions.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. The assessment area consists of three census tracts surrounding the bank's facilities in Elk City & Sayre, Oklahoma. The three census tracts are numbered as 9661, 9662, & 9668. They are all in Beckham County, State of Oklahoma, which is not located in a Metropolitan Statistical Area (MSA). The census tracts are all rated "middle-income" tracts but are included in the "Distressed or Underserved Tract List." Total population of the assessment area is 18 thousand.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF FNB'S AA	
Population	
Number of Families	4,883
Number of Households	7,323
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
Median Family Income (MFI)	
2000 Census Median Family Income	\$35,517
2010 HUD-Adjusted Median Family Income	\$47,200
Economic Indicators	
Unemployment Rate	3.41%
Median Housing Value	\$54,413
% Of Households Below Poverty Level	17.36%

Source: 2000 U.S. Census Data updated to 2010

Although there are no low- or moderate-income census tracts in the bank's assessment area, there are low- and moderate-income families who reside in the assessment area. Of the 4,883 families, 20.25 percent are low-income families, 18.35 percent are moderate-income families, 22.08 percent are middle-income families, and 39.32 percent are upper-income families. The median housing value is \$54,413 with the median age of housing stock at 43 years.

The economy is somewhat diversified due to the number of small business and agricultural operations in the assessment area. The largest employers in Elk City are Great Plains Regional Medical Center, a local hospital (410 employees), Elk City Public School System (221 employees), City of Elk City (130 employees), and Bar S Foods (110 employees). In Sayre, the largest employers are Beckham County (Sayre is the county seat for Beckham County), City of Sayre, and the Sayre Public School System. FNB's competition includes similar sized community banks headquartered in Elk City, Oklahoma. Other local competitors in the area include branches of larger financial institutions and several similar sized community banks located in or near the assessment

area.

Since the last CRA Performance Evaluation in 2006 the United States has experienced major economic recession and increased unemployment. The national economy has impacted Beckham County through heightened unemployment and a stagnation of economic growth. Business owners and consumers have become cautious leading to a decline in loan demand in the AA.

As part of this CRA evaluation, a community contact was made in the bank's assessment area to help ascertain the credit needs of the assessment area. According to the contact, the local economy is satisfactory, however jobs are becoming harder to find. The current credit needs of the community are being fulfilled. The contact stated the banks were doing as much as they can to support credit and business development needs in the assessment area. However, because of the impact of the slowing national economy on local business, there has been no local population growth and limited demand for credit to fund new business development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

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

This Performance Evaluation (PE) assesses FNB’s performance focusing primarily on four performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; and responses to CRA related complaints. An analysis of the geographic distribution of loans by the income level of AA census tracts would not be meaningful since all three census tracts in the banks AA are middle-income census tracts.

To evaluate FNB’s lending performance, a random sample of 95 loans were reviewed. Major loan products offered by the bank were sampled. They consisted of 30 commercial/business loans and 32 residential real estate loans. In addition, 33 individual/consumer loans, primarily vehicle loans were sampled. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is satisfactory. This determination is based on the bank's quarterly average LTD ratio from June 30, 2006 through September 30, 2010. At 69.72 percent this ratio compares favorably with the average LTD ratio of 67.73 percent for the seventeen banks in the bank’s western Oklahoma trade area. FNB's actual LTD ratio at September 30, 2010 was 64.46 percent, which by itself, is a reasonable LTD ratio in the trade area. For comparative purposes, FNB’s quarterly average LTD ratio of 69.72% is less than, but compares reasonably, with the three banks identified as Elk City primary competitors in the table below. These three competitors each have larger and more diversified assessment areas than FNB. They each have assessment areas in Beckham County, including Elk City, in addition to 2 to 6 more branch locations located in communities outside Beckham County. In addition, FNB also maintains high levels of city and county public funds that reduce its LTD ratio.

Loan-To-Deposit Ratios		
Institution	Total Assets as of 3/31/09 (000s)	Average Loan-to- Deposit Ratio
Great Plains National Bank, Elk City	\$340,522	95.52%
Interbank, Elk City	\$233,482	95.33%
Bank of Western Oklahoma, Elk City	\$192,977	75.47%
<i>First National Bank, Elk City</i>	<i>\$258,827</i>	<i>69.72%</i>

Source: Institution Reports of Condition from June 30, 2006 to September 30, 2010

Lending in Assessment Area

FNB’s lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of small business, home and consumer/vehicle loans were originated within the bank’s AA. As depicted in the table below, 77.89 percent of the number and 79.76 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 \$
	#	Percent	#	Percent		\$	Percent	\$	Percent	
Business Loans	24	80.00	6	20.00	30	\$ 2,057	79.78	\$ 521	20.22	\$2,578
Home Loans	23	72.72	9	27.28	32	\$ 2,031	80.03	\$ 506	19.97	\$2,537
Consumer Loans	27	81.82	6	18.18	33	\$ 227	76.95	\$ 68	23.05	\$ 295
Totals	74	77.89	21	22.11	95	\$4,315	79.76	\$1,095	20.24	\$5,410

Source: Sample of 2008 - 2010 Small business, Home loans (residential RE) and Consumer/vehicle loans

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

FNB’s overall distribution of loans by income level of borrowers is reasonable and meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 24 small business loans, 23 home loans (residential real estate), and 27 consumer/vehicle loans made to borrowers located in the bank’s assessment area.

The bank’s borrower distribution of loans to businesses with revenues of \$1 million or less is satisfactory. The percentage of bank loans to small businesses by number (75%) exceeds the percentage of reporting businesses with revenues of \$1 million or less in the AA. The majority of funds loaned to businesses in the AA (56%) were to businesses with revenues of \$1 million or less in the AA.

Borrower Distribution of Loans to Businesses (Non-Farm)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71%	3%	26%*	100%
% of Bank Loans in AA by #	75%	25%	0.00%	100%
% of Bank Loans in AA by \$	56%	44%	0.00%	100%

Source: Sample of 2008 - 2010 Small business loans; 2010 Business Geodemographic PCI Corporation, Inc CRA Wiz

* 26% of the non-farm businesses did not report income data

Within the bank's performance context, FNB's distribution of residential real estate loans meets the standard for satisfactory performance. Although the percentage of residential real estate loans to low- and moderate income (LMI) borrowers is less than the percentage of AA families whose income level falls within the LMI income ranges, this pattern of lending is consistent with national trends and reflects AA LMI consumer cautiousness in making home purchases during the economic downturn since the last evaluation. Since there has been limited population growth in the AA and little new housing development in the LMI market. Most of the demand for residential lending has been by persons with middle and upper incomes. This is reflected in the table below. Satisfactory penetration into the LMI market in the AA is apparent in the consumer/vehicle lending discussed in the next section.

Borrower Distribution of Home Loans (Residential Real Estate)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
	% 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 (Resid RE) Loans	20%	4%	18%	13%	22%	17%	40%	65%

Source: U.S. Census data and Sample of 2008 – 2010 Home (residential real estate) loans.

The distribution of consumer/vehicle loans to LMI households is satisfactory as is reflected in the table below. As indicated below, all three census tracts in the bank's AA are "middle income" tracts and geographic analysis by the income level of the census tracts would not be meaningful. In order to provide better insight into the bank's lending to consumer borrowers of different incomes, consumer individual lending, which is primarily vehicle lending at FNB, has been included in this evaluation. Penetration to borrowers in each of the low and moderate income levels closely matches the corresponding percentage of AA households. In total, the percentage of the number of consumer loans extended to LMI borrowers (52%) exceeds the percentage of LMI households (41%) in the assessment area. The percentage of the funds extended in consumer loans to LMI borrowers (46%) also exceeds the percentage of LMI households (41%) in the assessment area.

Borrower Distribution of Consumer/Vehicle Loans								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24%		17%		19%		40%	
Consumer Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	22%	21%	30%	25%	26%	24%	22%	30%

Source: U.S. Census data and Loan sample of 2008 – 2010 Consumer/vehicle loans

Geographic Distribution of Loans

An analysis of the geographic distribution of loans sampled by census tract income level would not be meaningful since there are no LMI census tracts in the bank's AA.

Responses to Complaints

There have been no consumer complaints regarding 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.