



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 07, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First Farmers National Bank of Waurika
Charter Number 12094**

**319 East "D" Street
Waurika, Oklahoma 73573**

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.*

INSTITUTION'S CRA RATING:

First Farmers National Bank is rated satisfactory.

The major factors that support this rating include:

- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a substantial majority of 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.
- Lending performance is satisfactory given the bank's size, financial condition, and known credit needs in the assessment area.

The First Farmers National Bank (FFNB) is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Public Evaluation.

SCOPE OF EXAMINATION

This Performance Evaluation was a full scope review focused 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. There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area (AA). FFNB is involved in and provides support to the community's financial needs. The time frame of this evaluation focused on the time since the bank received an overall rating of Satisfactory at the last CRA examination dated September 30, 2003.

To evaluate FFNB's lending performance, a sample of 60 loans was reviewed. Major loan products offered by the bank were randomly sampled and consisted of 20 agricultural and commercial loans, 20 real estate home purchase, and 20 consumer loans originated since January 1, 2005.

DESCRIPTION OF INSTITUTION

First Farmers National Bank (FFNB) is a \$40 million community bank that is entirely owned by the Waid family. FFNB has done business in Waurika, Oklahoma, since 1906. The bank is affiliated through common ownership with the First State Bank in Temple, Temple, Oklahoma. FFNB's primary focus is agricultural and consumer lending in the Northwest corner of Jefferson County. FFNB offers a variety of loan and deposit products commensurate with the size and needs of the assessment area. The bank's current location offers several walk-up and drive-up teller windows. Automatic teller machines are also located off-site in businesses in Waurika, Oklahoma. FFNB does not have any branch office locations and does not have any financial or legal obstacles affecting its ability to meet the credit needs of the assessment area.

As of December 31, 2007, loans to agricultural related enterprises, individuals and commercial businesses, totaled \$16.3 million or forty percent of FFNB's \$40 million in total assets. FFNB's loan portfolio is summarized below:

Loan Category	\$ (000)	%
Agricultural	7,105	43.50
Farmland	2,938	17.99
Residential Real Estate	2,667	16.33
Commercial	2,139	13.10
Consumer	1,485	9.08
Total	\$ 16,334	100.00

The assessment area adopted by FFNB 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.

DESCRIPTION OF THE FIRST FARMERS NATIONAL BANK ASSESSMENT AREA

FFNB's assessment area (AA) is all three of Jefferson County's census tracts in South Central Oklahoma. These are specifically identified as #9716, #9717, and #9718. The city of Waurika is included as part of the AA. One tract is considered moderate-income and two tracts are considered middle-income. There are no low-income or upper-income tracts within the AA. The bank and the ATMs are all located in Jefferson County. The following table describes the 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%
% Middle-Income Census Tracts/BNA	66%
% 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	21%

The total population of the assessment area is 6,818 persons. Although there are no low-income census tracts and only one moderate income census tract in the assessment area, there are many 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 44 years.

Local economic conditions are satisfactory to poor. The economy of the area is driven by agriculture and the oil and gas (O&G) industries. Since agriculture is the predominant industry, weather conditions and government market controls have a large impact on area economic

conditions which vary from cycle to cycle. The current prices in the O&G industry have had a positive effect on the local economy. The major employers in the area consist of Waurika Public Schools, Jefferson County, the City of Waurika, Metalspand, and the local hospital.

FFNB faces competition from sixteen other national and state chartered banks and as well as branches of other banks and financial institutions within the Jefferson county area and those counties in close proximity. Recently, the other bank located Waurika was sold to an out of town state bank. There continues to be growing competition from nontraditional financial institutions such as insurance and stock brokers.

A community contact was made during the examination to help ascertain the credit needs of the AA. The immediate credit needs of the community are being fulfilled, according to the contact. The main financial need in the area is for affordable housing and the need for industry to bring jobs to the area. FFNB is involved in community development activities and programs in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation evaluated FFNB’s lending performance using a sample of 60 loans. The loan sample consisted of 20 real estate home purchase, 20 consumer loans, and 20 agricultural and commercial loans that originated since January 1, 2005. Based on the analysis and consistent with available resources and capabilities, FFNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio (LTD)

FFNB’s loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. The average quarterly LTD ratio from December 31, 2003 through December 31, 2007, is 58 percent. FFNB’s LTD is comparative with area banks. The average quarterly LTD ratio of the sixteen banks chartered in the counties in and surrounding FFNB’s assessment area is 67 percent. The LTD ratios range from a low of 40 percent to a high of 89 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 12/31/2007 \$ (000)	Average LTD Ratio
Waurika National Bank	16,908	45%
<i>First Farmers National Bank</i>	40,204	58%
First State Bank in Temple	20,503	70%
Peoples Bank & Trust, Ryan	18,059	73%
The First State Bank, Ryan	39,664	80%

Lending in Assessment Area

FFNB’s lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of the number and dollar volume of loans sampled originated in the bank’s assessment area. This conclusion is based on the sample of 60 loans described above and are depicted in following table.

Total Loans Reviewed										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential Real Estate	19	95%	1	5%	20	745	98%	13	2%	758
Consumer	18	90%	2	10%	20	191	93%	14	7%	205
Ag and Commercial	17	85%	3	15%	20	260	93%	18	7%	278
Totals	54	90%	6	10%	60	1,196	96%	45	4%	1,241

Source: Sample of 60 loans to determine CRA performance.

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

FFNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes based only on the loans extended within the bank's AA. The following tables represent the distribution of lending based on those sampled loans within the assessment area.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% 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
Residential Real Estate Loans	27%	16%	19%	5%	22%	26%	32%	53%

Source: U.S. Census data and sample of 19 residential real estate loans located in the Assessment Area.

FFNB's distribution of residential real estate loans to borrowers of different income levels is satisfactory. The number of real estate loans extended to low- and moderate-income borrowers is somewhat lower but is directionally consistent with the percentage of low- and moderate-income families represented in the assessment area.

Borrower Distribution of Consumer Loans								
Borrower 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	32%	6%	17%	22%	17%	28%	34%	44%

Source: U.S. Census data and 18 consumer loans located in the Assessment Area.

FFNB's distribution of consumer loans to borrowers of different income levels is satisfactory. The number of consumer loans extended to low- and moderate-income borrowers approximates the percentage of low- and moderate-income households represented in the assessment area.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	37%	3%	60%	100%
% of Bank Loans in AA by #	76%	24%	0	100%
% of Bank Loans in AA by \$	36%	64%	0	100%

Source: U.S. Census data and sample of 17 business loans located in the Assessment Area.

FFNB’s loan distribution to businesses meets the standard. The sample of business loans revealed that a majority of the number of loans were extended to small businesses with annual gross revenues of less than \$1 million per year. The table also reflects that a large percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown according to data from the U.S. Census.

Geographic Distribution of Loans

The geographical distribution analysis for the bank indicates there are no low-income or upper income census tracts in the assessment area. The moderate- and middle-income tracts are located on the Eastern side of Jefferson County. FFNB has little to no lending activity in this area due to significant geographic distance between the bank and this tract. Also, other banking institutions are located closer to this tract. As a result, FFNB’s loan sample indicates few loans extended in the moderate- and middle-income tract. The majority of loans sampled were located in the middle-income tract located closer to FFNB’s banking facility and is considered reasonable given the location of the institution and the fact that there are no branch offices. The following tables represent the distribution of lending based on the sample of 19 residential real estate loan, 18 consumer loans, and 17 agricultural/commercial loans extended within the assessment area.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0%	0%	28%	5%	72%	95%	0%	0%

Source: U.S. Census data and residential real estate loan sample.

Geographic Distribution of Consumer Loans								
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
Residential Real Estate Loans	0%	0%	30%	0.00%	70%	100%	0%	0%

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

Geographic Distribution of Loans to Businesses								
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
Commercial Loans	0%	0%	20%	6%	80%	94%	0%	0%

Source: U.S. Census data and ag/commercial loan sample.

Responses to Complaints

FFNB has not received any complaints about their performance in helping to meet assessment area credit 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.