



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

July 24, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 9888**

**400 E 1st
Heavener, OK 74937**

**Comptroller of the Currency
Tulsa (eastern Oklahoma)
7134 South Yale Executive Ctr. Bldg., Suite 910
Tulsa, OK 74136**

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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **July 24, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Note: Throughout this evaluation First National Bank will be referred to as "FNB".

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- FNB's lending performance is satisfactory given its size, financial condition, and identifiable credit needs within the assessment area.
- FNB generates a majority of its loans within its assessment area.
- FNB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. FNB's (LTD) ratio has averaged 98.82%, since the previous performance evaluation.
- Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small farms.

DESCRIPTION OF INSTITUTION

FNB is an \$85 million community bank head quartered in Heavener, Oklahoma. FNB is 100% owned by Sooner Southwest Bankshares, Inc., a three-bank holding company. In April 2001, FNB merged with State National Bank, Heavener, Oklahoma.

FNB operates from its main bank in Heavener and branch offices in both Heavener and Poteau, Oklahoma. Hours of operation are responsive to the general banking needs of the constituents served. Regular banking hours at the main-bank are 9:00 a.m. to 2:30 p.m. Monday-Thursday with extended hours offered on Friday from 9:00 a.m. to 5:00 p.m. The Heavener branch consists of a lobby, four-lane drive-thru, with one lane dedicated for automated teller machine use exclusively. Hours of operation are 9:00 a.m. to 5:00 p.m. Monday-Friday and 9:00 a.m. to 12:00 p.m. on Saturday. The branch in Poteau, Oklahoma opened in August 2005. It currently consists of a modular building with a two-lane drive-thru. The permanent branch facility is currently under construction.

FNB was last evaluated under the CRA on May 8, 2000. A Satisfactory rating was assigned. There are no legal, financial, or other barrier's impeding the bank's ability to meet the credit needs of the assessment area. FNB offers a variety of credit products especially for individuals, small farms, and small businesses. The two largest loan concentrations are agricultural real estate and one-to-four family residential real estate. On June 30, 2006, the loan portfolio distribution was as follows:

June 30, 2006 Loan Portfolio Distribution		
Loan Type	Amount (\$000)	Percent of Total
REAL ESTATE:		
Construction & Land Development	2,076	2.79
Farmland	35,703	47.93
1-4 Family Residential	18,127	24.33
Multifamily	66	0.09
Commercial	5,458	7.33
SUBTOTAL REAL ESTATE:	61,430	82.47
Agriculture	4,233	5.68
Commercial & Industrial	3,746	5.03
Consumer	4,897	6.57
Other	183	0.24
TOTAL	74,489	100.00

DESCRIPTION OF FNB's Assessment Area

FNB has designated the entire LeFlore County of Oklahoma as its assessment area. This delineation meets the technical requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies or individuals. In 2004, subject bank was required to comply with the Home Mortgage Disclosure Act (HMDA) as a result of LeFlore County's inclusion in the Fort Smith, Arkansas metropolitan statistical area (MSA). According to 2000 US Census Data, there are nine census tracts in LeFlore County, all are designated as moderate-income census tracts. LeFlore County has a population of 48,109. Demographic data reveals a racial mix of 78% White, 11% American Indian, 4% Hispanic, 5% other, and 2% African American.

The local economy is primarily derived from businesses affiliated with the poultry industry. A switching facility for the Kansas City Southern Railway is also located in Heavener, Oklahoma. Major employers include OK Foods Corp. and Southern Railway.

There are four additional financial institutions operating in LeFlore County.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA

Population

Number of Families	13,281
Number of Households	17,874
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	100.00%
% Middle-Income Census Tracts/BNA	0.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	37,051
2000 HUD-Adjusted MFI	41,200
<i>Economic Indicators</i>	
2000 Median Housing Value	51,333
# of Households Below Poverty Level	3,393

Source: 2000 Census Data, United States Bureau of the Census

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

To evaluate FNB's lending performance; a random sample of loans was reviewed and analyzed. The two primary loan products were sampled and consisted of 28 small farm loans originated since January 1, 2004 and the HMDA data for 2004, 2005, and year-to-date 2006. Based on our analysis and consistent with bank 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 ratio exceeds the standard for satisfactory performance. Since second quarter 2001, FNB's loan-to-deposit ratio average 98.82%. The average loan-to-deposit ratio for FNB's peer group was 70%, during the same time period. The second quarter 2001 loan-to-deposit analysis start date was used since it was the first full quarter after the two Heavener bank's merged.

Lending in Assessment Area

A substantial majority of FNB's loans were originated to customer living within the assessment area. This was determined using information provided by bank management as of July 28, 2006. This information revealed that 85% of the total numbers of loans and 74% of the dollar amount of loans were originated within the bank's assessment area.

Lending in LeFlore County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
All Loans	1,487	84.92	264	15.08	1,751	55,498	74.23	19,270	25.77	74,768

Source: Bank generated reports as of July 28, 2006.

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

FNB's distribution of loans to individuals of varying income levels and small farms meets the standard for satisfactory performance. The following table represents the distribution of 1-4 family real estate loans, from January 2004 to June 2006, for families living within the assessment area based on their income levels.

Borrower Distribution of Residential Real Estate Loans in LeFlore County								
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
1-4 Family RE	25.00	14.00	20.00	19.00	22.00	23.00	33.00	44.00

Source: 2004-2006 HMDA data & 2000 Census Data, United States Bureau of the Census

As captioned above, the number of residential real estate loans to low-income families was below the percentage of low-income families living within the assessment area. Management attributes this deficiency to the obstacles typically associated with granting credit to low-income individuals such as high debt-to-income ratios, inability to meet the down-payment requirements, and issues associated with derogatory credit. FNB has a satisfactory record of lending to low-income borrowers in non-real estate related loan products. FNB provides secondary market financing alternatives to customers who are unable to meet the conventional real estate guidelines offered by the bank.

FNB has an excellent record of lending to small farmers, especially those operating poultry houses. FNB currently has loans totaling \$35 million to borrowers with one or more poultry house operations. Of the twenty-eight borrowers we sampled, all were to farmers with gross annual revenue of less than \$1 million.

Borrower Distribution of Loans to Small Farms				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	93.47	6.53	0.00	100%
% of Bank Loans in AA by #	100%	0.00	0.00	100%
% of Bank Loans in AA by \$	100%	0.00	0.00	100%

Source: Bank generated reports and 2000 Census Data, United States Bureau of the Census

Geographic Distribution of Loans

A geographic analysis of the loans at FNB would not be meaningful. FNB has designated the entire LeFlore County as its assessment area. There are nine census tracts in the assessment area and all are classified as moderate-income census tracts, eliminating the possibility for disparate treatment based solely on geography.

Responses to Complaints

FNB has not received any complaints relevant to CRA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

The most recent fair lending review was performed as of May 8, 2000 to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. FNB has a satisfactory record of compliance with fair lending laws and regulations. We found no evidence of illegal discrimination or other illegal credit practices.