



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 28, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Stroud National Bank
Charter Number 12095

300 West Main
Stroud, OK 74079-0000

Office of the Comptroller of the Currency

TULSA (EASTERN OKLAHOMA)
7134 South Yale Executive Ctr. Bldg., Suite 910
Tulsa, OK 74136-6360

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.

STROUD NATIONAL BANK'S CRA RATING

This institution is rated Outstanding.

The major factors that support this rating include:

- A substantial majority of the loans are made within the assessment area (AA).
- The performance is satisfactory for lending to borrowers of different incomes and to businesses of different sizes.
- The distribution of consumer, residential mortgage, and business purpose loans among AA geographies of different income levels exceeds the standard for satisfactory performance.
- The loan-to-deposit ratio is outstanding.
- The bank is meeting the lending needs of the assessment area.
- SNB provides community development projects that assist low-to-moderate income individuals.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses

The Stroud National Bank is committed to serving the community. This is demonstrated by outstanding lending performance as described in this Public Disclosure.

Note: Throughout this evaluation of Stroud National Bank will be referred to as "SNB."

DESCRIPTION OF STROUD NATIONAL BANK

Description of Institution

Stroud National Bank (SNB) is headquartered in Stroud, Oklahoma. The bank's street address is 300 West Main. The main bank includes a drive-up facility. Two full service branches with drive-in facilities are located at 215 Second Street, Wellston, Oklahoma and 824 N. Main Street, Perkins, Oklahoma. The branch in Wellston was acquired in 1991. Proprietary Automated Teller Machine (ATM) services are available in Stroud at the main bank/drive-by, the vestibule of the Wellston Branch, and a third is located at the Perkins Branch's Drive-by. All ATMs do not have the capability to accept deposits. SNB's primary lending focus is to serve commercial, agricultural, and consumer customers in these communities and the surrounding areas in Lincoln and Payne counties. SNB meets these needs by providing various loan, deposit, and other financial products.

SNB's total assets were \$67496M as of December 31, 2007. Total loans and leases were \$45392M, or 67% of total assets. As captioned below, the loan portfolio is segmented in the following categories:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	10,287	22.66
Commercial Loans	8694	19.15
Residential Real Estate Loans	14,560	32.08
Farm Production Loans	2067	4.55
Farm Real Estate Loans	3915	8.62
Consumer Loans	4852	10.69
Other Loans	1017	2.24
Total	45,392	100%

There are no known factors that impede SNB's ability to meet the credit needs of the constituents in the assessment area. The last CRA was as February 27, 2004. The previous rating was satisfactory.

Description of SNB's Assessment Area

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area, adopted by SNB's Board of directors, meets the technical requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geographies. The assessment area is described as follows:

Stroud National Bank Assessment Area

The assessment area comprises the entire Lincoln and Payne Counties in central Oklahoma. Lincoln County contains seven Census Tracts, four are identified as middle-income tracts, and three are identified as moderate-income tracts. Payne County contains fourteen Census Tracts, one low-income (located in The Oklahoma State University area), six middle-income, two moderate-income and five upper-income. The Census information was obtained from the Federal Financial Institutions Examination Council (FFEIC) 2007 Census Report. The tract numbers are 9811.00 through 9817.00 in Lincoln County and 101.00 through 114.00 in Payne County. SNB’s main office is located in Tract # 9811.00, the Wellston branch is located in Tract # 9813.00 and the Perkins branch is located in Tract # 111.00.

The 2007 FFEIC Census Report information reflected a total population in Lincoln and Payne Counties at 100,270. The area contained 43,038 housing units with 24,661 or 57% owner-occupied units and 14,197 or 33% occupied rental units. Additionally, there were 24,694 families and 38,927 households in the area. Seventy-seven percent of the households derive their income from wages or salaries. The largest employment sectors were services, retail trade, construction and transportation/communication.

Other financial institutions headquartered in the bank’s assessment area are First Bank of Chandler, Union Bank of Chandler, Carney State Bank, Bank of Cushing and Trust Company, Glencoe State Bank, and Payne County Bank.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	24,694
Number of Households	38,927
Geographies	
Number of Census Tracts/BNA	21
% Low-Income Census Tracts/BNA	5%
% Moderate-Income Census Tracts/BNA	24%
% Middle-Income Census Tracts/BNA	47%
% Upper-Income Census Tracts/BNA	24%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,291
2007 HUD-Adjusted MFI	39,400
Economic Indicators	
Unemployment Rate	2%
2000 Median Housing Value	55,947
% of Households Below Poverty Level	4.8%

We contacted a local housing authority official to gain a better understanding of the needs of the citizens residing within the assessment area. The official stated that SNB, as well as, the other local banks are all active in the community and responsive to the credit needs in the assessment area. The official indicated a need for affordable housing in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

To evaluate the SNB's lending performance, a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 20 automobile, 20 unsecured consumer loans, and 20 commercial businesses, originated since February 27 2004. We also used data collected by the bank to analyze performance related to residential real estate loans. Based on the analysis and consistent with available resources and capabilities, SNB is meeting the credit needs of the assessment area in an outstanding manner.

Loan-to-Deposit Ratio (LTD)

The loan-to-deposit ratio is outstanding. SNB's LTD ratio is higher than that of peer banks in the assessment area. The bank's quarterly LTD ratio since the last examination has averaged 79.59%, which compares favorably to peer banks that averaged a LTD ratio of 63.49% over the same time period. Peer banks are deemed to be similar in size and lending philosophy located within the AA.

Lending in the Assessment Area

SNB's lending in the AA is outstanding. The vast majority of SNB's loans are made within the assessment area. Our analysis determined that 84% of the number and 81% of the dollar amount of all loans were made within the assessment area.

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

SNB'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 residential real estate, consumer, and business loans located in the assessment area.

The number of home purchase loans to low-income borrowers is below the level of low income families in the AA. However the number of home loans to moderate income borrowers is equal to the level of moderate income families in the AA. Consumer lending to low-and-moderate income borrowers is good. The bank originated significantly more consumer loans to moderate-income borrowers than the level of moderate income families in the AA.

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 Purchase	20%	13%	18%	18%	22%	23%	40%	28%
Improvement	20%	14%	18%	13%	22%	20%	40%	53%
Refinance	20%	16%	18%	8%	22%	17%	40%	51%

Source: HMDA Data and U.S. Census data. Percentages do not equal 100% due to exclusion confidential data.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Automobile Loans	25%	15%	15%	35%	18%	20%	42%	30%
Unsecured	25%	35%	15%	30%	18%	15%	42%	20%

Source: Loan sample and U.S. Census data.

SNB’s loan distribution to small businesses is very good. The percentage of bank loans to businesses with revenues less than \$1 million is higher than the percentage of businesses with revenues less than \$1 million located in the assessment area. However, a large percentage of business revenues are unknown.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	47%	3%	50%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	93%	7%	0%	100%

Source: Loan sample and Dunn and Bradstreet Data.

Geographic Distribution of Loans

SNB’s overall geographic distribution of loans exceeds the standard for satisfactory performance. The percentage of loans made in moderate income tracts by SNB far exceeds the percentage of the population that live in moderate income tracts. The one low income tract is located near Oklahoma State University. The inhabitants of this tract would logically consist of low income college students. Thus, we would not typically anticipate lending in this tract. The following tables represent the geographic distribution of lending based on the sample of residential real estate, consumer, and business loans located in the assessment area.

SNB's distribution of residential real estate loans among AA geographies exceeds the standard for satisfactory performance. The percentage of loans originated by the bank in moderate income tracts significantly exceeds percentage of owner occupied houses in moderate income tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	0%	0%	16%	45%	60%	52%	24%	3%
Improvement	0%	0%	16%	52%	60%	48%	24%	0%
Refinance	0%	0%	16%	56%	60%	44%	24%	0%

Source: HMDA and U.S. Census data.

SNB's distribution of consumer loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of consumer loans in the moderate-income census tracts significantly exceeds the percentage of moderate-income households.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Automobile Loans	5%	0%	16%	30%	51%	70%	28%	0
Unsecured	5%	0%	15%	50%	28%	45%	28%	5%

Source: Loan sample and U.S. Census data.

SNB's distribution of business loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of business loans in the moderate-income census tracts significantly exceeds the percentage of businesses located in the census tract.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Business Loans	5%	0%	21%	40%	56%	55%	18%	5%

Source Loan sample and Dunn and Bradstreet data.

Investments and Service Performance.

The investment and services performance exceeds the standard for satisfactory performance. SNB has made investments in the community directly related to low-and-moderate income individuals. The bank extended a zero interest loan to the Habitat for Humanity. Additionally, the bank made a 15-year amortizing loan to the Perkins Affordable Housing Authority. Both of these entities specifically provide housing for low-and-moderate income housing in the assessment area.

Responses to Complaints

SNB has not received any complaints regarding 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.