



PUBLIC DISCLOSURE

January 23, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

McCurtain County National Bank
Charter Number 17269

20 North Park Drive
Broken Bow, OK 74728

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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: This institution is rated Satisfactory

The major factors supporting the institution's rating include the following:

- The loan-to-deposit (LTD) ratio is *reasonable* and meets the standards for satisfactory performance.
- A *substantial majority* of the bank's loans originated during the review period are within the bank's assessment area (AA), and exceeds the standard for satisfactory performance.
- The geographic distribution of loans reflects a *reasonable dispersion* of loans in census tracts throughout the bank's AA, and meets the standard for satisfactory performance.
- The bank's distribution of loans reflects *reasonable penetration* of loan originations among borrowers of different income levels and businesses of different sizes, and meets the standard for satisfactory performance.

Scope of CRA Evaluation

We evaluated McCurtain County National Bank (MCNB) using the small bank standards for assessing performance. The lending test evaluates the bank's record of meeting the credit needs of its AA. We assessed the bank's performance under the lending test using a loan sample comprising 20 residential mortgage loans, and 20 commercial loans originated in from January 2, 2012 through January 23, 2014. MCNB is not required to report under the Home Mortgage Disclosure Act (HMDA). The sample is representative of the bank's business strategy since the last CRA Performance Evaluation.

Description of Institution

MCNB is a \$200 million rural community bank located in Broken Bow, Oklahoma, and a subsidiary of McCurtain County Bancshares, a one-bank holding company. The bank operates from its main facility in Broken Bow, and other banking facilities located in Idabel, Oklahoma, and Valliant, Oklahoma. The Valliant and Idabel facilities are located in the middle-income census track, while the Broken Bow facility is located in the moderate- income census track. The city of Idabel has a middle-income census tract and a low-income census tract. MCNB issues Visa Check Cards (debit) cards and offers three ATM's in the designated AA. The main bank and branch provide deposit and loan services during reasonable hours Monday through Friday, and all three banking locations provide drive-thru service during reasonable hours Monday through Saturday. Based on the June 30, 2013 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank's presence in the McCurtain County AA is significant, as they have 37 percent of the deposit market share in the AA.



A CRA Performance Evaluation was last prepared October 9, 2007, and a “Satisfactory” rating was assigned. There are no known legal, financial, or other factors impeding the bank’s ability to meet the credit needs of the AA.

The bank’s primary focus is to provide banking services to commercial and consumer customers in McCurtain County. To accomplish this, MCNB offers a variety of loan and deposit products, including Internet banking and other financial services. The bank’s lending strategy focuses on residential real estate loans, commercial real estate loans, and consumer loans, to meet the needs of the community.

The table below illustrates the composition of the bank’s loan portfolio as of September 30, 2013, which represents 55 percent of total assets, based on the data presented in the Consolidated Reports of Condition and Income. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Type	Dollar (000’s)	% of Portfolio
Construction and Land Development	\$4,968	5%
Farmland	\$5,924	6%
1-4 Family Real Estate	\$36,397	33%
Commercial Real Estate	\$31,115	28%
Multifamily residential properties	\$0	0%
Agricultural Production	\$3,513	3%
Commercial and Industrial	\$4,526	4%
Consumer Loans	\$21,244	19%
Other	\$1,932	2%
Total Loan Portfolio	\$109,619	100.00%

Source: September 30, 2013 Consolidated Reports of Condition and Income

Description of the Assessment Area(s)

MCNB's AA as of this evaluation meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA comprises all of McCurtain County, Oklahoma, and includes eight complete census tracts. One is a low-income tract, one is a moderate-income tract, and six are middle-income tracts.

Economic conditions in the AA are generally stable. The current population of Broken Bow is approximately 4,147, and has seen little growth since the previous CRA Performance Evaluation. The economy has been, and remains to a certain extent, reliant on local light manufacturing, timber, coal, natural gas and service companies, and tourism.

MCNB’s primary banking competition includes three banks with headquarters in the AA, and one branch of another, much larger bank headquartered out of state. The branch facility is also located in the AA.



Among the largest employers in the area are local public school systems, Weyerhaeuser, Tyson Foods, International Paper, and McCurtain County Hospital. The following table illustrates the key demographic and economic characteristics of the AA.

Demographic Information – McCurtain County					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	12.50%	12.50%	75%	0%
Population by Geography	33,151	13.06%	16.95%	69.99%	0%
Owner-Occupied Housing by Geography	15,600	9.91%	11.91%	78.18%	0%
Businesses by Geography	2,590	14.17%	17.26%	68.57%	0%
Farms by Geography	118	21.19%	5.93%	72.88%	0%
Family Distribution by Income Level	8,975	32.20%	13.60%	20.67%	35.53%
Household Distribution by Income Level	13,255	34.76%	15.39%	15.54%	34.31%
Weighted average of Median Family Income (MFI)	\$41,185	Median Housing Value 2012			\$72,048
Weighted average of HUD updated MFI: 2012	\$49,500	Households Below the Poverty Level			26.10%

Source: 2012 Geo-demographic Data; 2010 United States Census Data

Community Contact

The OCC contacted a local community leader in the AA to get a better understanding of general community credit and development needs, and discuss local economic conditions. The contact stated there is a need for community infrastructure funding, and more affordable housing within McCurtain County. The contact stated all financial institutions are actively involved in supporting the credit needs of the community.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit (LTD) Ratio

MCNB's LTD ratio is *reasonable*, relative to their financial condition, local banking competition, and credit needs of the AA. Overall, loan demand in McCurtain County is generally low. Since the previous CRA Performance Evaluation, the bank's quarterly average LTD ratio averaged 69 percent, compared to a 70 percent aggregate average by four other local, competing banks within the AA during the same period.

Lending in the Assessment Area

Our loan sample reveals that a *substantial majority* of loans originated during the review period are inside the bank’s AA. The following table presents a more specific identification of loan types within and outside of the bank’s AA.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	12	100	0	0	12	\$1,024,743	62.68	0	0	\$1,024,743
Home Improvement	2	100	0	0	2	\$90,000	5.50	0	0	\$90,000
Refinancing	6	100	0	0	6	\$520,178	31.82	0	0	\$520,178
Commercial Real Estate	19	95	1	5	20	\$3,739,451	91.47	\$348,869	8.53	\$4,088,320
Totals	39	97.50	1	2.50	40	\$5,374,372	93.90	\$348,869	6.10	\$5,723,241

Source: Loan Sample

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

Lending patterns during the review period indicate *reasonable penetration* of loan originations among borrowers of different income levels and businesses of different size. Management attributes the low percentage of home purchase loans originated to low and moderate-income families to the general inability of borrowers in those income groups to qualify for such a large debt obligation. Management also stated that most of the loan applications received from the low and moderate-income family groups are centered in consumer instalment loans, such as automobile or general purpose. Therefore, the overall borrower distribution of the bank’s primary loan products is reasonable, given the bank’s performance context and being consistent with safe and sound banking practices. The following tables present a more specific identification of loan distribution patterns among borrowers within each AA.

Borrower Distribution of Residential Real Estate Loans in the McCurtain County AA								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
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
Home Purchase	32.20	8.33	13.60	8.33	20.67	16.67	33.53	66.67
Home Improvement	32.20	50.0	13.60	50.0	20.67	0	33.53	0
Home Refinance	32.20	0	13.60	0	20.67	50.0	33.53	50.0

Source: Loan Sample: U.S. Census data.



Borrower Distribution of Loans to Businesses in the McCurtain County AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	68.53	3.13	28.34	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan Sample, Dunn and Bradstreet Data

Geographic Distribution of Loans

Lending patterns during the review period indicate a *reasonable dispersion* of loans in all census tracts throughout the bank’s AA, but particularly the low-income census tract. Also supporting this assessment is the generally high loan demand in middle-income tracts for tourism-related cabins and lakefront homes, and significant banking competition in the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in McCurtain County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	9.91%	45.00%	11.91%	10.00%	78.18%	45.00%	0.00%	0.00%

Source: Loan Sample, United States Census Data

Geographic Distribution of Loans to Businesses in the McCurtain County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Commercial Real Estate	14.17	42.11	17.26	10.53	68.57	47.36	0	0

Source: Loan Sample, Dunn and Bradstreet



Responses to Complaints

There have been no consumer complaints regarding the bank's performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank's CRA Public File contains all of the required information.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.