



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 20, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Central National Bank Of Poteau
Charter Number 12158**

**209 Clayton
Poteau, OK 74953**

**Comptroller of the Currency
Tulsa Field Office
7134 South Yale , 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 **The Central National Bank** in Poteau, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 20, 2002. 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, The Central National Bank in Poteau will be referred to as "CNB."

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- FNB's lending performance is good given its size, financial condition, and known credit needs in its assessment area.
- FNB's loan to deposit (LTD) ratio is very good and has averaged 74.43% since our last examination.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses.
- FNB generates a substantial majority of its loans within the defined assessment area.
- FNB's geographic distribution of loans to borrowers is good. This is based on the bank's lending performance in moderate-income census tracts.

DESCRIPTION OF INSTITUTION

CNB is a \$122 million rural community bank located in Poteau, Oklahoma. CNB is a subsidiary of Central Bancshares of Poteau, Inc., a one-bank holding company. The bank operates its main office, a drive-in facility, and an automated teller machine (ATM) in Poteau, and has one branch each in the communities of Panama, Pocola, Stigler, and Heavener. The bank's primary focus is to serve commercial and consumer customers in Poteau and the

surrounding areas. The bank meets these needs by providing various loan and deposit products as well as other financial services. The bank's lending strategy focuses on agriculture production, farmland, commercial, and one-to-four family real estate loans. The table below shows the composition of the bank's loan portfolio, which represents approximately 67% of total assets as of December 31, 2001. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	9,360	11%
Commercial Loans	6,506	8%
Residential Real Estate Loans	22,342	26%
Farm Production Loans	8,819	10%
Farm Real Estate Loans	30,300	35%
Consumer Loans	7,992	9%
Other Loans	906	1%
Total	86,225	100%

CNB faces strong competition from several other financial institutions in the assessment area. Based on its financial condition, the local economy, product offerings, competition, and prior performance, CNB has the ability to meet the various credit needs in its community. At our last CRA examination as of November 12, 1996 the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA
<i>Population</i>

Number of Families	15,315
Number of Households	20,311
<i>Geographies</i>	
Number of Census Tracts/BNA	13
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	38%
% Middle-Income Census Tracts/BNA	62%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,139
2000 HUD-Adjusted MFI	34,000
<i>Economic Indicators</i>	
Unemployment Rate - Haskell County	7%
Unemployment Rate - LeFlore County	7%
2000 Median Housing Value	32,839
% of Households Below Poverty Level	25%

The assessment area includes all of LeFlore and Haskell counties. CNB's main office is located in a middle income tract.

We contacted a local city official to gain a better understanding of the needs of the citizens residing within the assessment area. He indicated that affordable housing is a primary need of low and moderate income families in the community. He stated that this is primarily due to a lack of willing builders rather than a lack of available financing. He also stated that CNB is active in the community and responsive to the credit needs of citizens residing in its assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

CNB's LTD ratio exceeds that of peer banks in the assessment area. Since the last CRA evaluation in November of 1996, the bank's quarterly LTD ratio has averaged 74%. This is above the 56% average for all other state and national banks headquartered within the assessment area for the same time period. During the 22 quarters reviewed, the bank's LTD ratio was at a low of 69.74% on March 31, 1997 and a high of 81.13% on September 30, 1998.

Lending in Assessment Area

The majority of FNB's loans are made within the assessment area. To assess this criteria, we sampled 20 automobile loans, 21 1-4 family residential real estate loans, and 26 commercial and/or agricultural loans originated since the last CRA examination. The following table is a summary of our findings in with respect to this criteria:

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial and Agricultural Loans	21	81%	\$696,797	75%	5	19%	\$231,660	25%
Consumer Installment Loans	18	90%	\$88,402	86%	2	10%	\$14,123	14%
Residential Real Estate Loans	20	95%	\$ 720,094	98%	1	5%	\$ 8,700	1%
Total Reviewed	59	88%	\$1,505,293	86%	8	12%	\$254,491	14%

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

Recent lending patterns indicate a very good distribution of loans among borrowers of different income levels and businesses of different sizes. We based our review on a sample of 20 1-4 family residential real estate loans within the assessment area and 20 consumer installment loans within the assessment areas.

TOTAL LOANS REVIEWED								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26%		19%		22%		33%	
	% of Number	% of Amount						
Consumer Installment Loans	40%	24%	35%	37%	15%	19%	10%	19%
Residential Real Estate	0%	0%	20%	18%	25%	24%	55%	57%

Our analysis reflects very good consumer loan penetration to low and moderate income families. In addition, the analysis reflected a good penetration of residential real estate loans to moderate income families. Our analysis of real estate loans to low-income families did not appear to reflect the make-up of the assessment area. According to census demographic information, approximately 26% of this area are low-income families. The real estate sample indicated that 0% of all the residential real estate loans were made to low-income families. Low income families have annual incomes of less than \$17,000. As indicated previously in the Description of the Assessment Area, 25% of households in the assessment area are living below the poverty level (incomes below 30% of the HUD median family income, or \$10,200 for 2001). This exceeds the 14% poverty rate for the state of Oklahoma. Borrowers with incomes below the poverty level face economic difficulties that hamper their ability to qualify for home purchase loans.

CNB demonstrates a very good pattern of lending to small businesses and small farms. Small businesses and farms, as defined by the CRA, are businesses having gross annual revenue of \$1 million or less. From our sample of 21 commercial and agriculture loans within the assessment

area, 100% were to borrowers who meet this definition.

Geographic Distribution of Loans

The geographic distribution of loans within the assessment area is good given the demographics of the assessment area. Our analysis included 20 residential real estate loans, 20 consumer loans, and 21 commercial loans in the assessment area. There are 13 census tracts in the bank's assessment area. Five are classified as an moderate income tracts and eight are classified as middle income tracts.

The following table shows the banks distribution of loans among the different census tract types.

Total Loans Reviewed				
	Moderate Tracts		Middle Tracts	
	#	\$	#	\$
Commercial and Agricultural Loans	24%	38%	76%	58%
Residential Real Estate Loans	10%	15%	90%	85%
Consumer Installment Loans	40%	25%	60%	75%
Total	25%	26%	75%	72%

The bank has a very good penetration of loans to moderate income tracts. There are no conspicuous gaps in CNB's lending patterns.

Responses to Complaints

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

Fair Lending Review

An analysis of 1998-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1999.