



PUBLIC DISCLOSURE

April 28, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank of Okarche
Charter Number 18233

Highway 81 North
Okarche, OK 73762

Office of the Comptroller of the Currency

The Harvey Parkway Building
301 NW 63rd Street, Suite 490
Oklahoma City, OK 73116-7908

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: SATISFACTORY

This institution is rated Satisfactory

The major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition and the credit needs of its assessment area.
- A majority of sampled loans are extended inside the bank's assessment area.
- The loan-to-deposit ratio is reasonable and commensurate with similarly situated institutions.
- The borrower distribution of loans represents excellent penetration and exceeds the standard for satisfactory performance for lending among businesses and farms of different sizes.

Community National Bank of Okarche is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Evaluation.

SCOPE OF EXAMINATION

Community National Bank of Okarche (CNB) was evaluated under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The bank's AA was reviewed and includes census tracts in Kingfisher, Canadian, and Major Counties.

CNB products sampled include agricultural and commercial loans. Sampled loans were originated within the evaluation period, which encompassed January 2013 through March 31, 2015. CNB does not have any offices in a Metropolitan Statistical Area and is therefore not required to complete the Home Mortgage Disclosure Act reporting log.

DESCRIPTION OF INSTITUTION

CNB is a community bank based in Okarche, Oklahoma. Bank locations include CNB's headquarters and a non-deposit ATM at 653 North Main Street/Highway 81 in Okarche, Oklahoma and one branch location at 101 North Main in Fairview, Oklahoma. An additional non-deposit ATM in Fairview is located at the Sooner Coop Convenience Store at the intersection of South Main Street and Highway 60. No branch locations have been opened or closed since the prior CRA examination.

CNB's primary focus is to serve agricultural, commercial, and consumer customers in the Okarche and Fairview areas. CNB is a full-service institution providing traditional loan and deposit products to meet community needs. As of March 31, 2015, total bank assets amounted to approximately \$84 million with a gross loans and leases to total assets ratio of 45 percent and a loan-to-deposit ratio of 57 percent. CNB's loan portfolio composition is depicted in the following table:

Loan Category	\$ (000)	%
Commercial & Related Real Estate	\$9,621	25.4%
Agricultural & Related Real Estate	\$16,587	43.8%
Residential	\$5,770	15.2%
Individual	\$3,399	9.0%
Other	\$2,479	6.5%

Source: March 31, 2015: Consolidated Reports of Condition and Income

There are no legal or financial impediments to CNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated November 1, 2010.

DESCRIPTION OF ASSESSMENT AREA(S)

CNB'S AA consists of whole geographies and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. All requirements of the CRA regulation are satisfied.

CNB's AA is comprised of two whole census tracts, 9583 and 9584, located in the southern portion of Kingfisher County, two whole census tracts, 3002.01 and 3002.02, located in the northern portion of Canadian County, and the entire political subdivision classified as Major County, which includes census tracts, 9551, 9552 and 9553. CNB's headquarters is located in Okarche, Oklahoma, which is situated on the county line dividing Kingfisher County and Canadian County. CNB's Fairview, Oklahoma branch is located in the central portion of Major County. The following table based on 2010 US Census data describes major demographic and economic characteristics of CNB's AA:

Table 2: Demographic and Economic Characteristics of AA	
Population	
Number of Families	7,001
Number of Households	9,456
Businesses	
Farm	365
Non-Farm	2,261
Geographies	
Number of Census Tracts	7
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	57.14%
% Upper-Income Census Tracts	42.86%
Median Family Income (MFI)	
2010 Census Median Family Income	\$51,001
2013 HUD-Adjusted Median Family Income	\$52,786
Economic Indicators	
Median Housing Value	\$108,844
Unemployment Rate Kingfisher County	2.5%
% of Households Below Poverty Level	9.91%

Source: U.S. Census Data; Oklahoma Employment Security Commission

The current state of the local economy for the AA is good and somewhat diversified due to the number of small businesses and agricultural operations in the AA. Primary employers in the AA, specifically in the areas of Okarche and Fairview, include Temptrol, a national air conditioner manufacturer; Carter Chevrolet; the Center for

Family Love, an adult mentally disabled care facility; Okarche Public Schools; Cimarron Acid and Frac, a provider of oilfield pressure pumping services; Fairview Fellowship Home, a nursing home facility; and Fairview Public Schools.

According to the Oklahoma Employment Security Commission, the unemployment rate in Kingfisher County, the location of CNB's headquarters, is low for March 2015 at 2.5 percent and has shown improvement of 0.8 percent from March 2014. The trending unemployment rate for the county indicates overall stability for the area. Additionally, the Kingfisher unemployment rate compares favorably to the State of Oklahoma unemployment rate of 3.9 percent.

Local banking competition providing similar services and products within CNB's AA stems from The Farmers and Merchants National Bank of Fairview and The First Bank of Okarche. Additional competition technically outside of, but in close proximity to, CNB's AA includes Community State Bank of Canton.

Community contacts were referenced to assess the needs of the community. In general, there is a need for small business support, financial literacy, and community development. Overall, indication is that area bank responsiveness to needs is good.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation assesses CNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints. Since, CNB's AA does not include any low- or moderate-income census tracts, a geographic distribution of loans within the AA would not be meaningful and was, therefore, not performed. Additionally, lending to consumer borrowers of different incomes is not evaluated given CNB's two primary loan products are agricultural and commercial related loans.

To assess CNB's lending performance, a total of 33 agricultural loans and 31 commercial loans originated during the evaluation period, January 2013 through March 31, 2015, were evaluated. Based on the analysis, and consistent with available resources and capabilities, CNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

CNB's loan-to-deposit ratio (LTD) meets the standards for satisfactory performance and is reasonable given the bank's size, financial condition, and AA credit needs. The average quarterly LTD ratio is 54.23 percent for the period ranging from December 2010 to March 2015. Ratios of three similarly situated banks were evaluated over the same period. The quarterly average LTD ratio for the other institutions is 50.93 percent with a range from 38.32 percent to 61.44 percent. The following table shows total assets as of March 2015 and the average LTD ratio for CNB as well as the other three similarly situated banks:

Institution	Assets as of 3/31/2015 \$(000)	Average LTD Ratio
The Farmers and Merchants National Bank of Fairview	110,087	38.32
First Bank of Okarche, The	84,263	53.05
Community National Bank of Okarche	83,890	54.23
Community State Bank of Canton	47,494	61.44

Source: March 31, 2015: Uniform Bank Performance Report

Lending in Assessment Area

CNB's lending in their AA meets the standard for satisfactory performance. A majority of agricultural and commercial loans were originated in CNB's AA. This conclusion is based on an initial random sample of 33 agricultural and 25 commercial loans that were originated during CNB's evaluation period. The following table depicts CNB's lending in their AA:

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture & Related Real Estate	29	88%	4	7%	33	3,709,180	83%	758,075	17%	4,467,255
Commercial & Related Real Estate	17	68%	8	32%	25	596,973	30%	1,410,743	70%	2,007,716
Totals	46	79%	12	21%	58	4,306,153	67%	2,168,818	33%	6,474,971

Source: Loan Samples

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

Distribution of loans exceeded the standard for satisfactory performance for lending among businesses and farms of different sizes. The following tables represent the distribution of lending based on samples of 33 agricultural loans and 23 commercial loans originated within CNB's AA and during their evaluation period:

Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Farms	99.45%	0.55%	0.00%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Dunn & Bradstreet Data; Loan Sample

CNB's distribution of loans to farms of different sizes reflects excellent penetration. All loans were originated to small farms with annual gross revenues of less than \$1 million, which exceeded the demographic comparator of the percentage of farms with annual gross revenues less than \$1 million located within CNB's AA.

Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Businesses	70.63%	4.47%	24.90%	100%
% of Bank Loans in AA by #	91.30%	8.70%	0.00%	100%
% of Bank Loans in AA by \$	92.04%	7.96%	0.00%	100%

Source: Dunn & Bradstreet Data; Loan Sample

CNB's distribution of loans to businesses reflects excellent penetration. A majority of loans were originated to small businesses with annual gross revenues of less than \$1 million, which exceeded the demographic comparator of the percentage of businesses with annual gross revenues less than \$1 million located within CNB's AA. However, a moderate percentage of the businesses in the AA did not report revenues or revenues were unavailable or unknown, as reflected in the table above.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans sampled would not be meaningful since there are no low- or moderate-income census tracts in CNB's AA.

Responses to Complaints

There have been no consumer complaints pertaining to CNB's CRA performance 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.