



PUBLIC DISCLOSURE

November 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Central National Bank of Poteau
Charter Number 12158

209 Clayton
Poteau, OK 74953

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 ratio is *reasonable* and meets the standards for satisfactory performance.
- A *substantial majority* of the bank's loans originated during the review period is 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 most 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 the Central National Bank of Poteau (CNB) 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 commercial loans originated in 2011 and 2012, and all home mortgage loans reported in the 2011 and 2012 Home Mortgage Disclosure Act (HMDA). The sample is representative of the bank's business strategy since the last CRA Performance Evaluation.

Description of Institution

CNB is a \$224 million community bank located in Poteau, OK, and a subsidiary of Central Bancshares of Poteau, Inc., a one-bank holding company. The bank operates from its main facility in Poteau, OK, and other banking facilities located in Heavener, OK; Panama, OK; Stigler, OK; and Pocola, OK. All banking facilities are located in middle-income census tracts except for the Heavener, OK branch, which is located in a moderate-income tract. CNB issues automated teller machine (ATM) cards and offers five ATM's in the designated AA. Main bank and branch lobby services are provided Monday through Friday, and five of the six banking locations provide drive-in service on Saturday. Based on the June 30, 2013 FDIC Deposit Market Share Report, the bank's presence in the LeFlore County market is significant, as they have 38% of the deposit market share in the AA.

A CRA Performance Evaluation was last prepared July 2, 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 commercial and consumer customers in Poteau and the surrounding areas where bank facilities are located. To accomplish this, CNB offers a variety of loan and deposit products, including Internet banking and other financial services. The bank's lending strategy focuses on one-to-four family real estate loans, consumer loans, and small business and farm loans to meet the needs of the community.

The table below shows the composition of the bank's loan portfolio as of September 30, 2013, which represents 48 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	\$835	0.78%
Farmland	\$28,035	26.21%
1-4 Family Real Estate	\$29,602	27.68%
Commercial Real Estate	\$14,629	13.68%
Multifamily residential properties	\$0	0.00%
Agricultural Production	\$10,314	9.64%
Commercial and Industrial	\$6,502	6.08%
Consumer Loans	\$8,965	8.39%
Other	\$8,064	7.54%
Total Loan Portfolio	\$106,946	100.00%

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

Description of the Assessment Area(s)

CNB's AA as of this evaluation meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA consists of two complete geographies in Oklahoma. These geographies and the related whole census tracts include the following:

- LeFlore County: 2 moderate-income tracts and 10 middle-income tracts.
- Haskell County: 3 middle-income tracts and 1 upper-income tract

Economic conditions in each AA are generally stable to improving. The current population of Poteau, OK, home to the bank's main facility, is approximately 8,500 and has seen slow but steady growth of nearly 5% since the previous CRA Performance Evaluation in 2007. The economy has been, and remains to a certain extent, reliant on local light manufacturing, coal, natural gas and service companies, agricultural operations, and tourism. Among the largest employers in the area are county government operations and public school systems, plus Eastern Oklahoma Medical Center, Carl Albert (college level), Kenco (a plastics injection molding company), and Southern Star (dish satellite). CNB's major competitors include several similar sized community banks located in the AA.

The following tables illustrate the key demographic and economic characteristics of each AA.

Demographic Information – LeFlore County, OK Assessment Area (part of the Fort Smith, AR – OK MSA)					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	12	0%	17%	83%	0%
Population by Geography	50,384	0%	15%	85%	0%
Owner-Occupied Housing by Geography	13,682	0%	13%	87%	0%
Businesses by Geography	4,209	0%	16%	84%	0%
Farms by Geography	229	0%	16%	84%	0%
Family Distribution by Income Level	13,374	24%	18%	20%	38%
Household Distribution by Income Level	18,651	26%	17%	18%	39%
Weighted average of Median Family Income (MFI)	\$43,739	Median Housing Value 2012			\$71,728
Weighted average of HUD updated MFI: 2012	\$48,400	Households Below the Poverty Level			19%

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

Demographic Information – Haskell County Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	0%	0%	75%	25%
Population by Geography	12,769	0%	0%	79%	21%
Owner-Occupied Housing by Geography	3,559	0%	0%	76%	24%
Businesses by Geography	1,181	0%	0%	85%	15%
Farms by Geography	128	0%	0%	83%	17%
Family Distribution by Income Level	3,100	20%	16%	25%	39%
Household Distribution by Income Level	4,640	26%	18%	17%	39%
Weighted average of Median Family Income (MFI)	\$50,695	Median Housing Value 2012			\$73,820
Weighted average of HUD-updated MFI: 2012	\$49,500	Households Below the Poverty Level			15%

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 that single-family residential homes are affordable, yet limited in numbers. There also appears to be a need for larger, higher-end priced homes to attract more pharmacists, dentists, and medical doctors. The contact also stated that as the slowly growing area managed well during recent economic difficulties nationwide, there is still a need for the establishment of a mass transit system to better accommodate local transportation needs of residents. The contact acknowledged the significant banking competition in the area, and stated that local banks are very involved in the community in terms of community leadership positions, participation with the local Chamber of Commerce, making donations to charitable organizations, and actively participating in lending and development opportunities when possible.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

CNB's LTD ratio is *reasonable* relative to their financial condition, significant banking competition in the bank's AA, and credit needs of the AA. Overall, loan demand in these rural communities is low. Since the last CRA Performance Evaluation, the bank's quarterly average LTD ratio averaged 56.20%, compared to 55.51% averaged by four local, similarly situation banks within the bank's AA during the same period.

Lending in the Assessment Area

CNB's HMDA data reveals that a *substantial majority* of loans originated during the review period are within the bank's AA. The following tables present 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	21	91.30	2	8.70	23	1,888	91.83	168	8.17	2,056
Home Improvement	10	100.00	0	0.00	10	599	100.00	0	0.00	599
Refinancing	11	100.00	0	0.00	11	878	100.00	0	0	878
Business	18	90.00	2	10.00	20	5,000	93.45	351	6.55	5,351
Totals	60	93.75	4	6.25	64	8,365	94.16	519	5.84	8,884

Source: HMDA Data, 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 sizes. Factors contributing to this assessment include the low number of owner-occupied housing units compared to the AA population, and the relatively low number of these units for sale in both AA's, particularly the Haskell County AA. In addition, most of the loan applications received from the low and moderate-income family group are centered in consumer instalment loans such as general purpose, or automobile. 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 LeFlore County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23.93	10.00	18.36	15.00	19.76	20.00	37.94	55.00
Home Improvement	23.93	11.11	18.36	11.11	19.76	22.22	37.94	55.56
Refinancing	23.93	20.00	18.36	0.00	19.76	30.00	37.94	50.00

Source: HMDA Data, Loan Sample, United States Census Data

Borrower Distribution of Loans to Businesses in LeFlore County AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.65	2.71	23.64	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: Loan Sample, Dunn and Bradstreet Data

Borrower Distribution of Residential Real Estate Loans in Haskell County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	19.58	0.00	16.19	0.00	24.81	0.00	39.42	100.00
Home Improvement	19.58	0.00	16.19	0.00	24.81	0.00	39.42	100.00
Refinancing	19.58	0.00	16.19	0.00	24.81	100.00	39.42	0.00

Source: HMDA Data, Loan Sample, United States Census Data

Borrower Distribution of Loans to Businesses in Haskell County AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	70.19	3.39	26.42	100%
% of Bank Loans in AA by #	66.67	33.33	0.00	100%
% of Bank Loans in AA by \$	24.95	75.05	0.00	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 most census tracts throughout the bank’s AA, particularly given the significant banking competition in the LeFlore County AA and overall low loan demand in these rural areas. In addition, the two moderate-income census tracts within the LeFlore County AA are each approximately 15 miles from the bank’s branch and comprise only 2,713 owner-occupied housing units, or 16 percent of the aggregate number of owner-occupied housing units in both AA’s.

Geographic Distribution of Residential Real Estate Loans in the LeFlore County AA								
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 Purchasing	0.00	0.00	13.30	25.00	86.70	75.00	0.00	0.00
Home Improvement	0.00	0.00	13.30	22.22	86.70	77.78	0.00	0.00
Refinancing	0.00	0.00	13.30	30.00	86.70	70.00	0.00	0.00

Source: HMDA Data, Loan Sample, United States Census Data

Geographic Distribution of Loans to Businesses in the LeFlore 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
Businesses	0.00	0.00	16.39	28.57	83.61	71.43	0.00	0.00

Source: Loan Sample, Dunn and Bradstreet

Geographic Distribution of Residential Real Estate Loans in the Haskell County AA								
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 Purchasing	0.00	0.00	0.00	0.00	75.64	100.00	24.36	0.00
Home Improvement	0.00	0.00	0.00	0.00	75.64	100.00	24.36	0.00
Refinancing	0.00	0.00	0.00	0.00	75.64	100.00	24.36	0.00

Source: HMDA Data, Loan Sample, HMDA Data

Geographic Distribution of Loans to Businesses in the Haskell 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
Businesses	0.00	0.00	0.00	0.00	85.27	100.00	14.73	0.00

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) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.