



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 1, 2010

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Community National Bank of Okarche
Charter Number 18233**

**653 North Main
Okarche, Oklahoma 73762**

**Comptroller of the Currency
Assistant Deputy Comptroller Kyle M. Jones
Oklahoma City Field Office
Harvey Parkway Building, Suite 490
301 NW 63rd Street
Oklahoma City, Oklahoma 73116**

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 that support this rating include:

- A majority of the loans sampled were originated within the bank's assessment areas (AA).
- The loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in the trade area.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and to businesses and farms of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.
- The Community National Bank of Okarche (CNB), in Okarche, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is based largely on 2009 U.S. Census demographic information. Both of the bank's AAs were reviewed and included the census tracts surrounding the main office in Kingfisher and Canadian Counties and the census tracts surrounding the branch in Major County. Products sampled for CNB included consumer loans, business loans, and agriculture loans originated in 2009 and 2010. CNB does not have any offices located in a Metropolitan Statistical Area and therefore is not required to complete the Home Mortgage Disclosure Act reporting log.

DESCRIPTION OF INSTITUTION

CNB is a community bank located in Okarche, Oklahoma. CNB's main office and an automatic teller machine (ATM) are located at 653 North Main. A branch facility is located in Fairview, Oklahoma at 101 N. Main. Another ATM is located in Fairview at the Sooner Co-op located at 824 South Main. CNB's primary focus is to serve commercial, agricultural, and consumer customers in the Okarche and Fairview communities.

As of September 30, 2010, CNB had total assets of \$65 million, of which \$26 million, or 40 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises as depicted in the following table:

Loan Portfolio Composition as of September 30, 2010		
Loan Category	\$ (000)	% of Gross Loans
Commercial and Related Real Estate Loans	10,072	38%
Consumer and Related Real Estate Loans	8,326	32%
Agriculture and Related Real Estate Loans	7,933	30%
Other Loans	11	0%
Total	26,342	100.00%

CNB offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment area. There are no financial impediments that would limit CNB's ability to help meet the credit needs in the assessment areas. CNB is owned by Northwest Sooner Bancshares, Inc., a one-bank holding company headquartered in Okarche, Oklahoma. CNB's last CRA examination was performed as of June 14, 2006, and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREAS

CNB’s assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income areas. The assessment areas are located in the northwestern part of the state, and have a population of about 24,715 people according to the 2009 census data. The assessment areas are described as the seven census tracts surrounding CNB’s facilities in Okarche (Kingfisher and Canadian Counties census tracts 9583, 9584, 3002.01 and 3002.02) and Fairview (Major County census tracts 9551, 9552, and 9553).

Demographic and Economic Characteristics of Assessment Area	
<i>Population</i>	
Number of Families	6,992
Number of Households	9,513
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	57%
% Upper-Income Census Tracts/BNA	43%
<i>Median Family Income (MFI)</i>	
MFI for Kingfisher and Canadian Counties AA	\$40,208
HUD-Adjusted MFI	\$52,450
MFI for AA Major County AA	\$35,517
HUD-Adjusted MFI	\$46,400
<i>Economic Indicators</i>	
Unemployment Rate	1.8%
Median Housing Value	\$66,310
% of Households Below Poverty Level	10%

The economy is somewhat diversified due to the number of small business and agricultural operations in the assessment areas. The largest employers in Okarche are Temptrol, a national air conditioner manufacturer; Carter Chevrolet; the Center for Family Love, an adult mentally disabled care facility, and the Okarche Public Schools. The largest employers in Fairview are Mabar, a custom truck bed manufacturer, Fairview Fellowship Home, a nursing home facility, and Fairview Public Schools.

A community contact was recently made with community professional in the AA. The contact identified agricultural loans and residential real estate loans (especially affordable housing) as the community’s primary credit needs. The contact stated that area financial institutions are meeting these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This PE assesses CNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate the CNB's lending performance, a random sample of 75 loans was reviewed. Major loan products offered by the bank were sampled. They consisted of 25 consumer loans, 25 business loans, and 25 agriculture farm loans. Based on the analysis and consistent with available resources and capabilities, CNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio

CNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. CNB's average quarterly loan-to-deposit ratio (LTD) is 67%. Ratios of four similarly situated banks were analyzed over the same time period. The quarterly average LTD ratio for this group is 70%. The quarterly average ratios for the peer banks range from 43% to 87%. The following table shows total assets as of September 30, 2010, and the average loan-to-deposit ratio from June 30, 2006 through September 30, 2010 (17 quarters) for these four banks.

Institution	Assets as of 9/30/2010	Average LTD Ratio
<i>Community National Bank of Okarche</i>	\$ 67,370	67%
The Farmers & Merchants National Bank of Fairview	\$ 75,129	43%
Farmer & Merchants Bank, Crescent	\$126,699	76%
The First Bank of Okarche	\$ 54,730	76%
Community State Bank of Canton	\$ 35,307	87%

Lending in Assessment Area

CNB's lending in their assessment areas meets the standards for satisfactory performance. A majority of the consumer, agriculture, and business loans sampled were originated in the bank's assessment areas as detailed in the table below:

TOTAL LOANS REVIEWED										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Consumer	19	76%	6	24%	25	178	51%	173	49%	351
Agriculture	21	84%	4	16%	25	1,228	86%	193	14%	1,421
Business	14	56%	11	44%	25	496	26%	1,420	74%	1,916
Totals	54	72%	21	28%	75	1,902	52%	1,786	48%	3,688

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

CNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and to businesses and farms of different sizes. The following tables represent a favorable distribution of lending based on the sample of 19 consumer loans, 21 agriculture loans, and 14 business loans.

Borrower Distribution of Consumer Loans in Kingfisher and Canadian Counties								
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
Consumer Loans	15.69	33%	14.56	22%	17.13	11%	52.62	22%

Source: U.S. Census data. Note: 11% of the loan did not report income.

Borrower Distribution of Consumer Loans in Major County								
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
Consumer Loans	18.42	53%	16.46	10%	19.50	10%	45.62	16%

Source: U.S. Census data. Note: 11% of the loan did not report income.

The distribution of consumer loans to low- and moderate-income households is excellent. The number of loans extended to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households represented in the assessment areas.

Borrower Distribution of Loans to Farms in Kingfisher and Canadian Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Dunn and Bradstreet data and the Loan Sample Reviewed.

Borrower Distribution of Loans to Farms in Major County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Dunn and Bradstreet data and the Loan Sample Reviewed.

Borrower Distribution of Loans to Businesses in Kingfisher and Canadian Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67%	3%	30%	100%
% of Bank Loans in AA by #	82%	18%	0%	100%
% of Bank Loans in AA by \$	97%	3%	0%	100%

Source: Dunn and Bradstreet data and the Loan Sample Reviewed.

Borrower Distribution of Loans to Businesses in Major County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	56%	3%	41%	100%
% of Bank Loans in AA by #	67%	33%	0%	100%
% of Bank Loans in AA by \$	74%	26%	0%	100%

Source: Dunn and Bradstreet data and the Loan Sample Reviewed.

The distribution of loans to small businesses and small farms of different sizes is excellent. CNB exceeds the percentage of the number of small farms and businesses with annual gross revenues of less than \$1 million in the bank's assessment areas in every category for all assessment areas. CNB is meeting the credit needs of small farms and businesses with revenues less than \$1 million.

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 the bank's designated assessment areas.

Responses to Complaints

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