



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 9, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**McCurtain County National Bank
Charter Number: 17269**

**1501 Southeast Washington Street
Idabel, OK 74745**

**Office of the Comptroller of the Currency
Longview Field Office
1800 West Loop 281, Suite 306
Longview, TX 75604**

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.

McCurtain County National Bank has a satisfactory rating of meeting community credit needs. This rating is based on the following:

- A substantial majority of the bank’s loans are extended within their assessment area.
- The bank’s loan-to-deposit ratio is reasonable based on the bank’s performance context and lending opportunities within its assessment area.
- The geographic distribution of loans reflects a reasonable dispersion within the assessment area.
- The distribution of loans demonstrates a reasonable penetration among borrowers of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of McCurtain County National Bank’s ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. Conclusions regarding the bank’s lending performance are based on residential real estate, commercial real estate and consumer loans originated from July 21, 2003 to October 9, 2007.

DESCRIPTION OF INSTITUTION

McCurtain County National Bank (MCNB) is a \$127 million bank which serves McCurtain County through branches in Idabel, Broken Bow and Valliant. MCNB is wholly owned by McCurtain County Bancshares. The bank offers a full range of loan and deposit products. The following chart reflects the distribution of the bank’s loan portfolio as of September 30, 2007.

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$22,902	30.46%
Commercial Real Estate Loans	\$18,813	25.02%
Consumer Loans	\$17,794	23.67%
Commercial & Industrial Loans	\$8,513	11.33%
Agricultural Loans	\$7,160	9.52%
Total	\$75,182	100.00%

There are no legal impediments or other factors that inhibit the bank’s ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated July 21, 2003.

DESCRIPTION OF ASSESSMENT AREA

The Board designated all of McCurtain County as its assessment area. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low or moderate-income geographies. The bank has branches in Broken Bow, Idabel and Valliant.

McCurtain County has a total population of 34,402. The county has three moderate-income tracts, five middle-income tracts, and does not have any low or upper-income tracts. McCurtain County's unemployment rate increased from 3.1% year-end 2000 to 6.4% during the first quarter of 2007. Cutbacks at a local manufacturing plant may be a reason for this increase. Competition among financial institutions is strong with several state and national banks (and branches of these banks) located throughout the county. Major employers in the county include Huber Industries, Tyson Foods, Inc., Weyerhaeuser, McCurtain Memorial Hospital, Choctaw Clinic and Choctaw Casino. Contact with local business organizations in Idabel revealed residential mortgages is the primary credit need of the assessment area. The following table provides a description of the assessment area based on census data and 2006 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	9,680
Number of Households	13,296
<i>Geographies</i>	
Number of Census Tracts	8
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	37.50%
% Middle-Income Census Tracts	62.50%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$29,827
2006 HUD-Adjusted MFI	\$42,600
<i>Economic Indicators</i>	
Unemployment Rate (2000) Census	3.08%
Unemployment Rate (1 st Qtr 2007) www.fdic.gov	6.4%
2000 Median Housing Value	\$46,356
% of Households Below Poverty Level	24.76%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the community. The following sections provide detail of our assessment of each performance criteria.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of McCurtain County National Bank (MCNB) is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s loan-to-deposit ratio is comparable to other banks headquartered in the assessment area. MCNB’s loan-to-deposit ratio since the prior CRA Examination averaged 60.62%. The average loan-to-deposit ratio of banks within the assessment area, regardless of size during the same time period was 67.34%.

Institution	Assets (000s) (as of 6/30/07)	Average LTD Ratio
The Idabel National Bank, Idabel	\$83,544	55.95%
McCurtain County National Bank	\$127,258	60.62%
First National Bank, Idabel	\$87,151	56.16%
1 st Bank & Trust, Broken Bow	\$108,535	64.45%
First State Bank, Valliant	\$51,967	99.51%

Lending in Assessment Area

A substantial majority of the bank’s lending activity is located within the assessment area. Our review focused on the bank’s primary product lines: residential real estate, commercial real estate and consumer loans. We reviewed a sample of 25 residential real estate, 25 commercial real estate and 25 consumer loans. This sample revealed approximately 96% of the number of loans and 99% of the dollar amount of loans were extended in the bank’s assessment area. The breakdown by loan category is illustrated below:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	25	100%	0	0.00%	25	\$783	100%	\$0	0%	\$783
Commercial RE	24	96.00%	1	4.00%	25	\$3,427	99.33%	\$23	0.69%	\$3,450
Consumer	23	92.00%	2	8.00%	25	\$239	95.98%	\$10	4.02%	\$249
Totals	72	96.00%	3	4.00%	75	\$4,449	99.26%	\$33	0.74%	\$4,482

Source: Loan Sample.

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

Residential real estate, commercial real estate and consumer loans are the bank’s primary lending products. The distribution of real estate loans reflects a reasonable penetration. Twenty-nine percent of assessment area families are considered low-income while our sample revealed 12% by number of loans are to low-income families. High unemployment and limited housing stock are contributing factors to the lower percentage. Conversely, our sample revealed the percentage of loans to moderate-income families far exceeds the percentage of these families in the assessment area.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	29.41%		18.32%		20.00%		32.27%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	12.00%	5.63%	28.00%	27.44%	20.00%	15.13%	40.00%	51.80%

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

The distribution of consumer loans reflects a reasonable penetration. Specifically the percentage of loans to moderate-income households far exceeds the percentage of these households in the assessment area.

BORROWER DISTRIBUTION OF CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	31.01%		16.76%		16.60%		35.63%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	30.43%	29.46%	26.09%	15.80%	21.74%	20.05%	21.74%	34.69%

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

The distribution of loans to businesses reflects a reasonable penetration. Approximately sixty-three percent of businesses do not report their revenues; therefore the percentage of businesses by income level may not accurately reflect a true percentage in each income category. Our sample of business loans inside the assessment area revealed a substantial majority of the bank’s business loans were to businesses with revenues less than \$1 million.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses ³	35.15%	2.24%	62.61%	100.00%
% of Bank Loans in AA #	87.50%	12.50%	---	100.00%
% of Bank Loans in AA \$	85.11%	14.89%	---	100.00%

Source: Loan Sample; Dun & Bradstreet data.

Geographic Distribution of Loans

McCurtain County National Bank has a reasonable dispersion of loans within the assessment area. The bank’s assessment area has no low-income tracts, three moderate-income tracts, five middle-income tracts and no upper-income tracts. The percentage of loans in our sample closely approximates the percentage of owner occupied residences in the assessment area for residential real estate loans and the percentage of households in the assessment area for consumer loans.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied ⁴	0.00%		34.32%		65.68%		0.00%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00%	0.00%	32.00%	38.39%	68.00%	61.61%	0.00%	0.00%

Source: Loan Sample; U.S. Census data

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0.00%		38.70%		61.30%		0.00%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00%	0.00%	34.78%	53.01%	65.22%	46.99%	0.00%	0.00%

Source: Loan Sample; U.S. Census data

Our sample revealed the percentage of loans to businesses in moderate-income tracts far exceeds the percentage of businesses in these tracts.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses ⁶	0.00%		25.20%		74.80%		0.00%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00%	0.00%	37.50%	59.34%	62.50%	40.66%	0.00%	0.00%

Source: Loan Sample; Dun & Bradstreet data

Responses to Complaints

McCurtain County National Bank has not received any CRA related complaints during the assessment period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices.