



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**McCurtain County National Bank
Charter Number 17269**

**1501 Southeast Washington
Idabel, OK 74745**

**Comptroller of the Currency
ADC-Longview (NE Texas & NW Louisiana)
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

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

- The bank's loan-to-deposit ratio is reasonable based on its size and complexity.
- A substantial majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

McCurtain County National Bank (MCNB) is an \$86 million bank which is wholly owned by McCurtain County Bancshares, Inc. The bank is located at 20 North Park Drive in Broken Bow, Oklahoma and has a full service branch located at 1501 Southeast Washington, Idabel, Oklahoma. As of June 30, 2003, loans totaled \$54 million and represented 62% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	4,811	8.97
Commercial Loans	13,719	25.59
Agriculture Loans	7,546	14.07
Residential Real Estate Loans	17,407	32.46
Consumer Loans	10,139	18.91
Total	53,622	100.00%

There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated November 30, 1998.

DESCRIPTION OF MCCURTAIN COUNTY

The Board has designated McCurtain County as the bank's assessment area. The assessment area includes no low-income tracts, four moderate-income tracts, four middle-income tracts and no upper-income tracts. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2002 Department of Housing and Urban Development (HUD) information.

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DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	9,323
Number of Households	12,283
<i>Geographies</i>	
Number of Census Tracts/BNA	8
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	50.00%
% Middle-Income Census Tracts/BNA	50.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$20,091
2002 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	4.00%
2001 Median Housing Value	\$28,420
% of Households Below Poverty Level	30%

The bank's designated assessment area has a total population of 33,433. The distribution of families by income level, regardless of census tract location, consists of the following: 30.03% are low income, 18.19% are moderate income, 19.74% are middle income, and 32.04% are upper income. Major employers in McCurtain County include Weyerhaeuser, Tyson Foods, medical related services and industries, and government services. Competition in McCurtain County is considered strong with several local banks and branches of other banks and credit unions in the county. The local economy is considered stable with an unemployment rate of 4.00%.

Contacts with local business organizations in Idabel revealed the primary community credit needs for the assessment are small business loans and residential mortgages. One of the organizations also noted the lack of available housing stock in McCurtain County.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of MCNB is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 70.26% since the prior CRA examination in November of 1998. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 71.07%.

Institution	Assets (\$000s) (3/31/03)	Average LTD Ratio
McCurtain County National Bank	\$92,459	70.26%
Idabel National Bank, Idabel	\$77,431	70.25%
1 st Bank & Trust, Broken Bow	\$77,989	70.64%
First State Bank of Idabel	\$50,044	59.96%
American State Bank, Broken Bow	\$46,183	65.49%
First State Bank, Valliant	\$33,882	89.84%

Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 20 residential mortgages, 23 commercial loans and 26 consumer loans which originated since November 1998. Due to the bank's location within its assessment area and its focus on lending within this area, the vast majority of loans sampled were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	20	100.00	916	100.00	0	0.00	0	0.00
Commercial	23	100.00	2,513	100.00	0	0.00	0	0.00
Consumer	26	96.15	174	95.04	1	3.85	9	4.96
Total Reviewed	69	98.55	3,603	99.75	1	1.45	9	0.25

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of home purchase and consumer loans generally approximates the income characteristics of the assessment area. While home purchase loans to low-income families are at a low level compared to the demographics of the assessment area, loans to moderate-income families are near to the percentage of moderate-income families. Additionally, consumer loans are near to the percentage of low-income households and exceed the percentage of moderate-income households. Borrowing for home purchases by low- and moderate-income individuals is limited due to the low level of affordable housing stock available in the area. Furthermore, approximately 30% of the households in McCurtain County are below poverty level, limiting their ability to afford the purchase of a home.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	30.03		18.19		19.74		32.04	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	5.00	1.17	15.00	7.35	30.00	27.49	50.00	64.00

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	32.7		15.4		17.0		34.8	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	28.00	19.10	24.00	25.04	20.00	15.67	28.00	40.19

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 310 businesses in the assessment area, although revenue information was not reported for a majority of the businesses. As a result, we were unable to perform a comparative analysis of commercial loans based on reported revenues. However, our sample of commercial loans inside the assessment area revealed a substantial majority of the bank's commercial loans were to businesses with revenues less than one million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	NA	NA
% of Bank Loans in AA #	82.61	17.39
% of Bank Loans in AA \$	59.74	40.26

Geographic Distribution of Loans

The distribution of loans reflects a reasonable penetration throughout the assessment areas given the bank's overall strategy, locations, and the availability of owner-occupied housing. The distribution of home purchase and consumer loans generally approximates the percentages of households and families located in the various tract categories.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0%		50.15%		49.85%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	55.00	52.95	45.00	47.05	0	0

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		49.15%		50.85%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	36.00	44.24	64.00	55.76	0	0

The geographic distribution of business loans is also reasonable based on the bank's locations and the demographics of each area.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		27.10%		72.90%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	47.83	49.82	52.17	50.18	0	0

Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

Fair Lending Review

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