



PUBLIC DISCLOSURE

May 08, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Stroud National Bank
Charter Number 12095

300 West Main
Stroud, OK 74079

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 CRA RATING: The institution is rated Satisfactory.

The Stroud National Bank, Stroud, Oklahoma (SNB) has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The loan-to-deposit (LTD) ratio is *more than reasonable* based on the bank's performance context and lending opportunities within its assessment area.
- A *substantial majority* of the number of the bank's loans originated during the review period are inside the bank's assessment areas (AAs).
- The bank's distribution of loans reflects a *reasonable penetration* of loans among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a *reasonable dispersion* of loans in census tracts throughout the bank's assessment area.

SCOPE OF EXAMINATION

We evaluated SNB using the Small Bank standards for assessing performance. SNB's primary loan products include business loans and home purchase loans. The lending test evaluates the bank's record of meeting the credit needs of its two AAs: Lincoln County and Payne Counties in Oklahoma. We assessed the bank's performance under the lending test using a loan sample comprising residential mortgage loans and commercial loans originated from January 1, 2012 through May 8, 2014. The sample is representative of the bank's business strategy since the last CRA Evaluation.

DESCRIPTION OF INSTITUTION

SNB is a \$81 million rural community bank located in Stroud, Oklahoma, and a subsidiary of Stroud Bancorp, Inc., a one-bank holding company. SNB serves Lincoln County and Payne County through the main banking location at 300 W. Main, Stroud, Oklahoma, which is in a middle-income census tract. The main office has a drive-thru and automated teller machine (ATM). SNB also has two full service branches, both in middle-income census tracts, and each with a drive-thru and ATM, at 215 Second Street, Wellston, Oklahoma, and 824 N. Main Street, Perkins, Oklahoma. SNB offers a diverse line of loan and deposit services during reasonable hours, Monday through Saturday. SNB also offers banking services by telephone and the internet. SNB's primary lending strategy is focused on serving commercial, agricultural, and consumer customers in these communities and the surrounding areas within Lincoln and Payne counties.

Based on the June 30, 2013 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank's presence in the combined AAs is moderate, as they have 3.45 percent of the deposit market share in the combined AAs. The main office of a much larger commercial bank in Stillwater, and the branches of two other intermediate-sized commercial banks with statewide branching networks compete in the AAs. Smaller state-chartered and other types of financial institutions also compete for business and market share.

A CRA Performance Evaluation was last prepared April 28, 2008, with an "Outstanding" rating assigned. There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs in the AA's.

The following table illustrates the composition of the bank's loan portfolio 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 Category	Dollars (\$000)	% of Portfolio
Commercial Real Estate Loans	\$11,485	25%
C&I	\$7,193	16%
Residential Real Estate Loans	\$17,153	38%
Consumer Loans	\$3,660	8%
Farm Real Estate Loans	\$4,230	9%
Other Loans & Other Farm/Agriculture Loans	\$2,004	4%
Total	\$45,725	100.00%

Source: March 31, 2014 Consolidated Reports of Condition and Income

DESCRIPTION OF ASSESSMENT AREA (AA)

Management has designated two AAs: Lincoln and Payne Counties in Oklahoma. SNB is required to report under the Home Mortgage Disclosure Act (HMDA) for the Lincoln County AA, as it is a part of the Oklahoma City Metropolitan Statistical Area (MSA). SNB is not required to report under HMDA for the Payne County AA, as it is not in an MSA area, though the bank does maintain records internally based on HMDA report format.

For the Lincoln County AA (MSA), there are seven census tracts (CTs) in aggregate. One tract is moderate-income and six are middle-income. For the Payne County AA (non-MSA), there are seventeen CTs in aggregate. One tract is low-income, thirteen are middle-income, and three are high-income. Each designated AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas; they are whole geographies.

The level of banking competition in the assessment area is moderate, and includes a number of commercial state-chartered banks several that are much larger than SNB, and branches of non-local banks. The unemployment rate for Lincoln County is 4.2 percent, and 3.4 percent for Payne County, which compares to the state unemployment rate of 4.6 percent at April 2014.

The local economy is diversified. No single industry fundamentally influences the area, though there is oil and gas resurgence, light manufacturing, agriculture, tourism (historic Route 66), specialty products (wineries) and potentially unique services (midpoint meeting site between Oklahoma City and Tulsa). The most significant employers include the oil and gas industry and light manufacturing.

The following tables provide key demographic and economic characteristics of the two AAs:

Demographic and Economic Characteristics of Lincoln County	
<i>Population</i>	
Number of Families	9,391
Number of Households	12,799
<i>Geographies</i>	
Number of Census Tracts	7
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	14%
% Middle-Income Census Tracts	86%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$51,238
2010 HUD-Adjusted MFI	\$60,000
<i>Economic Indicators</i>	
Unemployment Rate	4.2%
2013 Median Housing Value	\$89,660
% of Households Below Poverty Level	14.3%

Source: 2013 Geo-demographic data; 2010 United States Census data

Demographic and Economic Characteristics of Payne County	
<i>Population</i>	
Number of Families	16,055
Number of Households	28,735
<i>Geographies</i>	
Number of Census Tracts	17
% Low-Income Census Tracts	6%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	77%
% Upper-Income Census Tracts	17%
<i>Median Family Income (MFI)</i>	

2010 MFI for AA	\$55,977
2010 HUD-Adjusted MFI	\$49,900
<i>Economic Indicators</i>	
Unemployment Rate	3.4%
2013 Median Housing Value	\$115,856
% of Households Below Poverty Level	24.0%

Source: 2013 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 local financial institutions, including SNB, are actively involved. The contact added that the primary community housing-related concern is a shortage of livable apartments; there is also a need for more local jobs.

Loan-to-Deposit (LTD) Ratio

SNB's LTD ratio is ***more than reasonable***, relative to their financial condition, local banking competition, and credit needs of the AA. Overall, loan demand in the AAs is moderate. Since the previous CRA Performance Evaluation, the bank's quarterly LTD ratio averaged 84 percent, compared to a 67 percent aggregate average by five other competing banks and branches within the AA during the same period.

Lending in the AA

Our loan sample reveals that a ***substantial majority*** of the number and dollar level of loans originated during the review period are inside the bank's AA. The following table presents a more specific identification of loan types inside and outside of the bank's AA.

Lending in the combined AA										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	39	76.47%	12	23.53%	51	2,863	67.84%	1,357	32.16%	4,220
Home Improvement	22	100%	0	0.00%	22	934	100%	0	0.00%	934
Refinance	92	85.98%	15	14.02%	107	6,703	82.35%	1,437	17.65%	8,140
Commercial Loans	37	92.50%	3	7.50%	40	4,032	92.60%	321	7.40%	4,353
Totals	190	86.30%	30	13.70%	220	14,532	82.30%	3,115	17.70%	17,647

Source: Data from loan sample; HMDA data

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

Lending patterns during the review period indicate a *reasonable penetration* of loan originations among borrowers of different income levels and businesses of different sizes. HUD annually updates census income information to reflect current family income levels for residential real estate loan comparisons. The 2010 census provides income information for businesses. The following tables present a more specific identification of loan distribution patterns among borrowers within the AA. Bank management stated the lower penetration in Payne County associated with the low/moderate borrower income level financing for home purchase, improvement and refinancing is partially due to the higher rental vs home ownership preference among the seasonal student population relating to Oklahoma State University in Stillwater.

Borrower Distribution of Residential Real Estate Loans in the Lincoln County AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	
Home Purchase	24.24%	21.74%	21.15%	4.35%	23.29%	30.43%	31.33%	43.48%	0.00%
Home Improvement	24.24%	0.00%	21.15%	12.50%	23.29%	68.75%	31.33%	18.75%	0.00%
Refinance	24.24%	16.67%	21.15%	15.00%	23.29%	26.67%	31.33%	41.66%	0.00%

Source: 2010 United States Census data; HMDA data; Data from loan sample

Borrower Distribution of Residential Real Estate Loans in the Payne County AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	
Home Purchase	18.21%	0.00%	16.67%	10.00%	18.48%	30.00%	46.65%	60.00%	0.00%
Home Improvement	18.21%	0.00%	16.67%	33.34%	18.48%	33.33%	46.65%	33.33%	0.00%
Refinance	18.21%	4.00%	16.67%	44.00%	18.48%	16.00%	46.65%	36.00%	0.00%

Source: 2010 United States Census data; Data from loan sample

Borrower Distribution of Loans to Businesses by Loan Size in the Lincoln County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	14	77.78%	\$536,770	42.69%
\$100,001 - \$250,000	4	22.22%	\$720,458	57.31%
\$250,001 - \$500,000	0	0.00%	\$0	0.00%
\$500,001 - \$1,000,000	0	0.00%	\$0	0.00%
Over \$1,000,000	0	0.00%	\$0	0.00%

Source: Loan sample

Borrower Distribution of Loans to Businesses by Loan Size in the Payne County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	18	94.74%	\$2,139,700	77.10%
\$100,001 - \$250,000	1	5.26%	\$635,500	22.90%
\$250,001 - \$500,000	0	0.00%	\$0	0.00%
\$500,001 - \$1,000,000	0	0.00%	\$0	0.00%
Over \$1,000,000	0	0.00%	\$0	0.00%

Borrower Distribution of Loans to Businesses by Business Revenue in the Lincoln County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.64%	3.76%	25.60%	100%
% of Bank Loans in AA by #	88.89%	11.11%	0.00%	100%
% of Bank Loans in AA by \$	72.08%	27.92%	0.00%	100%

Source: Dun and Bradstreet data; HMDA data; Data from loan sample

Borrower Distribution of Loans to Businesses by Business Revenue in the Payne County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.43%	3.96%	24.61%	100%
% of Bank Loans in AA by #	94.74%	5.26%	0.00%	100%
% of Bank Loans in AA by \$	77.10%	22.90%	0.00%	100%

Source: Dun and Bradstreet data; HMDA data; Data from loan sample

Geographic Distribution of Loans

Lending patterns during the review period indicate a *reasonable dispersion* of loans in tracts within the assessment area. The following tables illustrate the geographic distribution of residential real estate loans and commercial loans, relative to the income level of the census tracts within the AA.

Geographic Distribution of Residential Real Estate Loans in the Lincoln 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 Purchase	0.00%	0.00%	11.93%	0.00%	88.07%	100%	0.00%	0.00%
Home Improvement	0.00%	0.00%	11.93%	5.56%	88.07%	94.44%	0.00%	0.00%
Refinance	0.00%	0.00%	11.93%	20.63%	88.07%	79.37%	0.00%	0.00%

Source: 2010 United States Census data; HMDA data; Data from loan sample

Geographic Distribution of Residential Real Estate Loans in the Payne 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 Purchase	0.14%	0.00%	0.00%	0.00%	74.45%	81.82%	25.41%	18.18%
Home Improvement	0.14%	0.00%	0.00%	0.00%	74.45%	75.00%	25.41%	25.00%
Refinance	0.14%	0.00%	0.00%	0.00%	74.45%	72.41%	25.41%	27.59%

Source: 2010 United States Census data; HMDA data; Data from loan sample

Geographic Distribution of Loans to Businesses in the Lincoln County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00%	0.00%	9.31%	0.00%	90.69%	100%	0.00%	0.00%

Source: Dunn & Bradstreet data, Data from loan sample

Geographic Distribution of Loans to Businesses in the Payne County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	4.07%	0.00%	0.00%	5.26%	74.82%	68.42%	21.12%	26.32%

Source: Dunn & Bradstreet data, Data from loan sample

Responses to Complaints

There have been no consumer complaints regarding SNBs 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 CFR § 25.28(c), or 12 CFR § 195.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA 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.