



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**May 05, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Pawhuska  
Charter Number 8313**

**100 West Main Street  
Pawhuska, OK 74056**

**Comptroller of the Currency  
7134 South Yale, Suite 910  
Tulsa, OK 74136**

**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.**

## ***THE FIRST NATIONAL BANK, IN PAWHUSKA'S CRA RATING***

**This institution is rated Satisfactory.**

The major factors that support this rating include:

- A majority of the loans are made within the assessment area (AA).
- The performance is satisfactory for lending to borrowers of different incomes and to businesses of different sizes.
- The distribution of consumer, residential mortgage, and business purpose loans among AA geographies of different income levels exceeds the standard for satisfactory performance.
- The loan-to-deposit ratio is satisfactory.
- The bank is adequately meeting the lending needs of the assessment area.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

**The First National Bank, in Pawhuska is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.**

Note: Throughout this evaluation of the First National Bank, in Pawhuska will be referred to as "FNB."

## ***DESCRIPTION OF First National Bank, in Pawhuska***

FNB is a \$32 million rural community bank located in Pawhuska, Oklahoma. The main bank and drive in facility are located in downtown Pawhuska. There are no branches. FNB does issue automated teller machine (ATM) cards and offers three ATMs in the community. The bank's primary focus is to serve commercial and consumer customers in Pawhuska and the surrounding areas. The bank meets these needs by providing various loan and deposit products, as well as, 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 loans to meet the needs of the community. The table below shows the composition of the bank's loan portfolio, which represents approximately 72 percent of total assets as of December 31, 2004. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate Loans	6,555	28.42%
Consumer Loans	5,495	23.83%
Commercial Real Estate Loans	3,512	15.23%
Commercial Loans	3,491	15.14%
Farm Production Loans	1,951	8.46%
Farm Real Estate Loans	1,908	8.27%
Other Loans	150	0.65%
<b>Total</b>	<b>23,062</b>	<b>100.00%</b>

Bank lobby services are provided Monday through Friday. The drive in is open later than the main lobby and is also open on Saturday until noon. FNB faces competition from several other financial institutions in the assessment area. Based on FNB's financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in the community. At our last CRA examination as of November 2, 1998 the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in the assessment area.

## ***Description of FNB's Assessment Area***

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The assessment area includes all census tracts in Osage County. The following table describes major demographic and economic characteristics of the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	12,332
Number of Households	16,656
<i>Geographies</i>	
Number of Census Tracts/BNA	10
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	30%
% Middle-Income Census Tracts/BNA	70%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	40,127
2004 HUD-Adjusted MFI	53,100
<i>Economic Indicators</i>	
2000 Median Housing Value	58,193
# of Households Below Poverty Level	2,272

The local economic conditions are stable to improving. The economy has been and remains to a certain extent reliant on local oil field service companies, ranching operations, and tourism. Among the largest employers in the area are county government operations and public school systems. FNB's major competitors include several similar sized community banks located in or near the assessment area.

We contacted a local city official to gain a better understanding of the needs of the citizens residing within the assessment area. The official stated that FNB, as well as, the other local banks are all active in the community and responsive to the credit needs in the assessment area.

## ***CONCLUSIONS ABOUT PERFORMANCE CRITERIA***

This Performance Evaluation (PE) assesses FNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area (AA); lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and, responses to complaints.

To evaluate the FNB's lending performance, a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 20 consumer loans, 20 residential real estate loans, and 20 business loans, originated since December 31, 2002. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

### ***Loan-to-Deposit Ratio (LTD)***

The loan-to-deposit ratio is satisfactory. FNB's LTD ratio is higher than that of peer banks in the assessment area. The bank's LTD ratio since the last examination has averaged 68.70%, which compares favorably to peer banks that averaged a LTD ratio of 53.51% over the same time period.

### ***Lending in the Assessment Area***

FNB's lending in the AA is satisfactory. The majority of FNB's loans are made within the assessment area. Our analysis determined that 85.5% of the number and 84.19% of the dollar amount of all loans were made within the assessment area.

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

FNB's overall distribution of loans by income level of borrowers meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of residential real estate, consumer, and business loans located in the assessment area.

FNB's distribution of residential real estate and consumer loans by income level is satisfactory. The percentage of the number of residential real estate loans to low-income borrowers is below the percentage of low-income families while the percentage of the number of moderate-income borrowers is above the percentage of moderate-income families in the assessment area. Consumer loan distribution is very good compared to area demographics.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	24%	<b>5%</b>	20%	<b>25%</b>	23%	<b>5%</b>	33%	<b>65%</b>

Source: Loan sample and U.S. Census data.

<b>Borrower Distribution of Consumer Loans</b>								
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	26%	<b>60%</b>	18%	<b>25%</b>	21%	<b>5%</b>	35%	<b>10%</b>

Source: Loan sample and U.S. Census data.

FNB's loan distribution to small businesses is good. The percentage of bank loans to businesses with revenues less than \$1 million is higher than the percentage of businesses with revenues less than \$1 million located in the assessment area. However, a large percentage of business revenues are unknown.

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	3%	31%	100%
% of Bank Loans in AA by #	<b>95%</b>	<b>5%</b>	<b>0%</b>	100%
% of Bank Loans in AA by \$	<b>88%</b>	<b>12%</b>	<b>0%</b>	100%

Source: Loan sample and U.S. Census data.

### ***Geographic Distribution of Loans***

FNB’s overall geographic distribution of loans exceeds the standard for satisfactory performance. This outcome is somewhat expected given the geographic location of FNB’s banking facility in the heart of moderate- income census tracts. The following tables represent the geographic distribution of lending based on the sample of residential real estate, consumer, and business loans located in the assessment area.

FNB's distribution of residential real estate loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of real estate mortgage loans significantly exceeds the percentage of owner occupied units for each census tract income level.

<b>Geographic Distribution of Residential Real Estate Loans</b>								
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
Residential Loans	N/A	N/A	26%	<b>95%</b>	74%	<b>5%</b>	N/A	N/A

*Source: Loan sample and U.S. Census data.*

FNB's distribution of consumer loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of consumer loans in the moderate-income census tracts significantly exceeds the percentage of moderate-income households.

<b>Geographic Distribution of Consumer Loans</b>								
Census Tract 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	N/A	N/A	29%	<b>85%</b>	71%	<b>15%</b>	N/A	N/A

*Source: Loan sample and U.S. Census data.*

FNB's distribution of business loans among AA geographies exceeds the standard for satisfactory performance. Geographic distribution of business loans in the moderate-income census tracts significantly exceeds the percentage of businesses located in the census tract.

<b>Geographic Distribution of Loans to Businesses</b>								
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
Business Loans	N/A	<b>N/A</b>	39%	<b>75%</b>	61%	<b>25%</b>	N/A	<b>N/A</b>

*Source Loan sample and U.S. Census data.*

***Responses to Complaints***

FNB has not received any complaints regarding their performance in helping to meet assessment area credit needs during this evaluation period.

***FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW***

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