

PUBLIC DISCLOSURE

November 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**100 West Main Street
Pawhuska, Oklahoma 74056-0809**

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

<p>NOTE: 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.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **First National Bank in Pawhuska** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 2, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory**”.

This performance evaluation covers the period from October 2 , 1995 to November 2, 1998. The rating is supported by the following facts.

- ▶ The average quarterly loan to deposit ratio is satisfactory.
- ▶ A majority of loans are within the assessment area.
- ▶ Loans are reasonably disbursed among borrowers of different income levels.

The following table indicates the performance level of the **First National Bank in Pawhuska** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank in Pawhuska Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Data is not meaningful		
Response to Complaints	No complaints have been received.		

DESCRIPTION OF INSTITUTION:

The First National Bank in Pawhuska (FNB) is a \$24 million community bank located in Pawhuska Oklahoma. FNB serves its market with a main office, a drive-through facility, and one proprietary automated teller machine (ATM).

Bank management's focus has been on home, consumer, small business, cattle, and energy lending. A comparative breakdown of the loan portfolio is as follows.

LOAN TYPE	6/30/98 \$ VOLUME (Thousands)	% OF PORTFOLIO
1-4 Family	\$3,462	21%
Commercial/ Other Real Estate	\$2,386	14%
Commercial	\$3,963	23%
Consumer	\$4,386	26%
Agriculture	\$2,716	16%
TOTAL	\$16,913	100%

Source: Uniform Bank Performance Report

DESCRIPTION OF ASSESSMENT AREA:

FNB designates its assessment area (AA) as six census tracts that includes Pawhuska and surrounding areas. The AA meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The population of the AA is approximately 24 thousand and the census median income is \$32,578. The following chart breaks down the census tracts by income level.

TRACT INCOME LEVEL	COUNT	%
Low	0	0
Moderate	4	67
Middle	2	33
Upper	0	0
TOTAL	6	100

Source: 1990 Census

The following chart breaks down the assessment area's population by income level.

FAMILY INCOME LEVEL	% OF TOTAL FAMILIES
Low	28.90
Moderate	21.58
Middle	22.93
Upper	26.59

Source: 1990 Census

Pawhuska is approximately 70 miles northwest of Tulsa and is the headquarters for the Osage Indian Tribe. Cattle, Oil and Gas, and light manufacturing provide the majority of economic activity. Market conditions are static and future growth prospects do not reflect any significant expansion. Two of the largest employers in Pawhuska are the school system and the Bureau of Indian Affairs. The bank is in a competitive market with at least five other financial institutions within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and local economy. The bank's average loan-to-deposit ratio since the October 31, 1995 performance evaluation is approximately 65%. The ratio has ranged from 61% to 72% and has been moderately higher than their peer group within the assessment area.

Lending in the Assessment Area

Based on our sample, a substantial majority of the loans are originated within the assessment area. According to the Home Mortgage Disclosure Act Loan Activity Reports for 1997 and year-to-date 1998, 89 of 90 home loan originations were made within the assessment area.

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

The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable given the demographics of the assessment area.

The following chart illustrates the number and percentage of home loans made to applicants of different income levels during 1997 and through September 30, 1998.

APPLICANT/FAMILY INCOME LEVEL	NUMBER OF HOME LOAN ORIGINATIONS	% OF TOTAL HOME LOAN ORIGINATIONS	% OF FAMILIES WITHIN ASSESSMENT AREA
Low	11	11	29
Moderate	25	28	21
Middle	22	25	23
Upper	32	36	27
Income Not Available	0	0	0
	89	100%	100%

Source: 1997 and 1998 Home Mortgage Disclosure Act - Loan Activity Report

A review of commercial loan originations since January 1, 1996 indicates the bank originates a reasonable volume of small business credits. Approximately 92% of the estimated 119 originations made within this time period were for loans of \$100 thousand or less. Although not definitive, loan size is often a reflection of the business size. As indicated by the number of commercial loan originations of \$100 thousand or less, it is likely that most of these were to small businesses.

Geographic Distribution of Loans

Due to the limited number of census tracts within the assessment area, a meaningful geographic loan distribution analysis could not be performed.

Response to Complaints

FNB has not received any complaints relating to their CRA performance.

Compliance with Fair Lending Laws and Regulations

An evaluation of the bank's compliance with fair lending laws and regulations was conducted as part of a concurrent compliance examination. Based on this evaluation, the bank is in compliance with the substantive provisions of these laws and regulations.