



PUBLIC DISCLOSURE

January 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Pawnee
Charter Number 5224

601 Harrison Street
Pawnee, OK 74058

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'S CRA RATING: This institution is rated Satisfactory

Note: Throughout this Public Disclosure, "The First National Bank of Pawnee" will be referred to as "FNB".

The major factors that support this rating include:

- FNB's loan to deposit (LTD) ratio is **reasonable** and meets the standards for satisfactory performance. The bank's quarterly LTD ratio has averaged 62% since the last CRA evaluation dated July 2, 2007.
- A **substantial majority** of the bank's loans originated during the review period is inside the bank's Assessment Area (AA), and exceeds the standard for satisfactory performance.
- The geographic distribution of loans reflects a **reasonable dispersion** of loans in most of the census tracts throughout the bank's AA, particularly the moderate-income tracts, and meets the standard for satisfactory performance.
- The bank's distribution of loans reflects a **reasonable penetration** of loan originations among borrowers of different income levels and farms of different sizes, and meets the standard for satisfactory performance.

Scope of CRA Evaluation

We evaluated FNB using the small bank standards for assessing performance. The lending test evaluates the bank's record of meeting the credit needs of its AA. We assessed the bank's performance under the lending test using a loan sample comprising 20 commercial/farm loans originated from January 2, 2011 through December 31, 2013, and all home mortgage loans reported in the 201, 2012, and 2013 Home Mortgage Disclosure Act (HMDA). The sample is representative of the bank's business strategy since the last CRA Performance Evaluation.

Description of Institution

FNB is a \$67 million rural community bank located in Pawnee, Oklahoma. FNB is 100% owned by George Madison Corporation, a one-bank holding company. FNB operates from its main office located at 601 Harrison Street (Pawnee, Oklahoma), and a drive-thru facility at 655 Illinois Street (Pawnee, Oklahoma). The bank also provides banking access through ATMs at these locations. The main bank provides service during reasonable hours Monday through Friday, and the drive-thru facility provides services during reasonable hours Monday through Saturday. Based on the June 30, 2013 FDIC Deposit market Share Report, the bank's presence in the AA significant, as they have 30 percent of the deposit market share in the AA, and 64 percent in the city of Pawnee, Oklahoma.

A CRA Performance Evaluation was last prepared on July 2, 2007, and a “Satisfactory” rating was assigned. There are no known legal, financial, or other factors impeding the bank’s ability to meet the credit needs of the AA.

The bank’s primary focus is to provide banking services to commercial and consumer customers in Pawnee County, although most of the bank’s existing customers are near or in the city of Pawnee. To accomplish this, FNB offers a variety of loan and deposit products, including Internet banking and other financial services. The bank’s lending strategy focuses on one-to-four family real estate loans, farm loans, and commercial real estate loans to meet the needs of the community.

The table below illustrates the composition of the bank’s loan portfolio as of December 31, 2013, which represents 39 percent of total assets, 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	Dollar (000’s)	% of Portfolio
Commercial Real Estate Loans	\$9,318	35%
Commercial Loans	\$2,705	10%
Residential Real Estate Loans	\$4,138	16%
Farm Production Loans	\$4,918	19%
Farm Real Estate Loans	\$2,513	10%
Consumer Loans	\$2,019	8%
Other Loans	\$494	2%
Total	\$26,105	100%

Source: December 31, 2013 Consolidated Reports of Condition and Income

Description of the Assessment Area

FNB’s AA meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA consists of one complete geography, Pawnee County, in Oklahoma. This geography comprises five census tracts, with three designated as moderate-income tracts, and two designated as middle-income tracts. All FNB facilities are located in the same moderate-income census tract.

FNB’s primary banking competition includes a branch of one other bank in the city of Pawnee, and two additional branches of other banks located outside of the city, but within Pawnee County. All three competing banks have total assets substantially greater than FNB.

Economic conditions in the AA are generally slow, with little loan demand experienced by the bank. The estimated unemployment rate for Pawnee County as of November 2013 was 5.4 percent, and the trend is slightly improving from July 2013 (*Source: United States Department of Labor – Bureau of Labor Statistics; January 7, 2014*). Significant employers in the AA include the Pawnee Nation, Pawnee School System, and Pawnee County Court House.

The following table illustrates the key demographic and economic characteristics of the bank’s AA.

Demographic Information – Pawnee County, OK Assessment Area (part of the Tulsa, Oklahoma MSA)					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	5	0	60	40	0
Population by Geography	16,577	0	8,515	8,062	0
Owner-Occupied Housing by Geography	7,732	0	49.84%	50.16%	0
Businesses by Geography	916	0	55.79%	44.21%	0
Farms by Geography	105	0	88.57%	11.43%	0
Family Distribution by Income Level	4,285	28.66%	20.65%	21.19%	29.50%
Household Distribution by Income Level					
Weighted average of Median Family Income (MFI)	\$48,203	Median Housing Value 2012			\$82,977
Weighted average of HUD updated MFI: 2012	\$59,700	Households Below the Poverty Level			15.51%

Source: 2012 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 economic growth and development, and an industrial presence to create new jobs are key needs of the AA. The contact also stated the community has a need for elderly programs, low-income assistance, and local food banks, as well as help with local infrastructure to include safety shelters and emergency care facilities. The contact acknowledged the moderate banking competition in the area, and stated that both banks located in the city of Pawnee are active in supporting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB’s LTD ratio is *reasonable*, and meets the standard for satisfactory performance relative to their size when compared to the competing banks, financial condition, banking competition in the bank’s AA, and perceived credit needs of the AA. Overall, loan demand in this rural area is generally low. Since the last CRA evaluation, the bank’s quarterly average LTD ratio averaged 62 percent, compared to 69 percent averaged by three other bank branches within the AA during the same period.

Institution (city location)	Total Assets (as of September 30, 2013)	Average LTD Ratio (%)
The First National Bank of Pawnee (main bank in Pawnee, OK)	\$67 million	62
Armstrong Bank (branch in Pawnee, OK)	\$580 Million	81
Security State Bank of Wewoka (branch in Ralston, OK)	\$124 Million	71
American Heritage Bank (branch in Cleveland, OK)	\$753 Million	56

Source: September 2013 Consolidated Reports of Condition and Income; Uniform Bank Performance Report.

Lending in Assessment Area

FNB’s HMDA data and our loan sample reveals that a *substantial majority* of loans originated during the review period are inside the bank’s AA. Management indicated that loans made outside of the bank’s AA are typically to longtime customers with ties to the community. The following table presents a more specific identification of loan types within and outside of the bank’s AA.

Lending in Pawnee County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	4	66.67	2	33.33	6	\$119	53.36	\$104	46.64	\$223
Home Improvement	8	88.89	1	11.11	9	\$208	92.86	\$16	7.14	\$224
Refinance	10	90.91	1	9.09	11	\$432	92.70	\$34	7.30	\$466
Agricultural Loans	18	90.00	2	10.00	20	\$488	96.44	\$18	3.56	\$506
Totals	40	86.96	6	13.04	46	\$1,247	87.88	\$172	12.12	\$1,419

Source: HMDA Data, Loan Sample

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

Lending patterns during the review period indicate *reasonable penetration* of loan originations among borrowers of different income levels and farms of different sizes, particularly small farm businesses. Management attributes the low percentage of home improvement loans originated to low income families, relative to the demographic makeup of the AA, to the general ability of customers to obtain a more favorable rate on that product at competing banks, and since the demand for that type of loan at FNB is low. The following tables present a more specific identification of loan distribution patterns among borrowers within the AA.

Borrower Distribution of Residential Real Estate Loans in Pawnee County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	28.66	25.00	20.65	50.00	21.19	0.00	29.50	25.00
Home Improvement	28.66	15.50	20.65	25.00	21.19	37.50	29.50	25.00
Refinance	28.66	26.00	20.65	40.00	21.19	30.00	29.50	10.00
Total	28.66	22.18	20.65	36.36	21.19	27.27	29.50	26.61

Source: HMDA Data, Loan Sample.

Borrower Distribution of Loans to Farms in Pawnee County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	100	0.00	0.00	100
% of Bank Loans in AA by #	100	0.00	0.00	100
% of Bank Loans in AA by \$	100	0.00	0.00	100

Source: Loan sample, Dunn and Bradstreet data.

Geographic Distribution of Loans

Lending patterns during the review period indicate a *reasonable dispersion* of loans in the AA, but particularly the moderate-income census tracts that are relatively near the bank’s Pawnee facilities. Management attributes the lack of residential mortgage lending in the middle-income census tracts to the fact that both tracts border Cleveland, Oklahoma, a town approximately 25 miles east of Pawnee, Oklahoma, and home to another bank branch that offers this lending product. The following tables illustrate the geographic distribution of residential real estate and farm loans, compared to demographic data relative to the income level of the census tracts in the AA.

Geographic Distribution of Residential Real Estate Loans in Pawnee 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	49.84	100.00	50.16	0.00	0.00	0.00
Home Improvement	0.00	0.00	49.84	100.00	50.16	0.00	0.00	0.00
Refinance	0.00	0.00	49.84	100.00	50.16	0.00	0.00	0.00
Total	0.00	0.00	49.84	100.00	50.16	0.00	0.00	0.00

Source: HMDA Data.

Geographic Distribution of Loans to Farms in Pawnee County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans
Farms	0.00	0.00	88.57	94.12	11.43	5.88	0.00	0.00

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

There have been no consumer complaints regarding the banks performance under the Community Reinvestment Act (CRA) since the previous evaluation dated July 2, 2007. The bank’s CRA Public File contains all of the required information.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.