



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 05, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Pawnee
Charter Number 5224**

**601 Harrison Street
Pawnee, OK 74058**

**Comptroller of the Currency
Tulsa Field Office
7134 South Yale Avenue, 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

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

- FNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- FNB's loan-to-deposit (LTD) ratio is satisfactory. The LTD ratio averaged 68.53% since the March 24, 1997 performance evaluation. The peer average for similar banks operating within the assessment area was 60.84% for the same period. The bank's LTD ratio on September 31, 2001 was 67.07%.
- FNB generates a substantial majority of its loans within the defined assessment area.
- Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small businesses/farms.

DESCRIPTION OF INSTITUTION

FNB of Pawnee is a \$47 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 and drive-thru facility at 655 Illinois Street. Also, the drive-thru facility has one automated teller machine. Hours of operation are responsive to the general banking needs of the areas served. Regular banking hours between the main office and drive-thru range from 8:30 a.m. to 5 p.m. on Monday - Friday. Additionally, the drive-thru is opened on Saturday from 8:30 a.m. to 12 p.m.

FNB was last evaluated under the CRA on March 24, 1997. A **Satisfactory** rating was assigned. There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of the assessment area. The loan portfolio represents approximately 59% of total assets.

Although the bank offers a wide variety of credit products, its lending strategy focuses on

agriculture, one-to-four family real estate, small business, and consumer loans. The table below reflects the composition of the bank's loan portfolio, as of September 30, 2001.

September 31, 2001 Loan Portfolio Distribution		
Loan Type	Amount (\$000)	Percent of Total
REAL ESTATE:		
Construction Land Development	162	.58%
Farmland	2,163	7.78%
1-4 Family	4,639	16.68%
Multifamily	0	0
Commercial	8,525	30.64%
SUBTOTAL REAL ESTATE	15,489	55.68%
AGRICULTURE:	5,341	19.20%
COMMERCIAL:	2,900	10.42%
CONSUMER:	4,020	14.45%
OTHER:	69	.25%
TOTAL	27,819	100%

Source: September 31, 2001 Consolidated Reports of Condition and Income

DESCRIPTION OF PAWNEE COUNTY

FNB has designated the entire Pawnee County as its assessment area, which is a non-MSA county. This delineation meets the technical requirements of the regulation and does not arbitrarily exclude LMI geographies/individuals. There are five census tracts in Pawnee County. No tracts have been designated as low- or moderate-income geographies in Pawnee County. There are four middle and one upper income tracts. The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,403
Number of Households	1,866
<i>Geographies</i>	
Number of Census Tracts	5
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	80%
% Upper-Income Census Tracts	20%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	25,462
2000 HUD-Adjusted MFI	34,000
<i>Economic Indicators</i>	
2000 Median Housing Value	39,019
% of Households Below Poverty Level	18.09%

There are four financial institutions located in the bank's assessment area. Two commercial banks, including the subject bank, are located in the city of Pawnee. Competition among the banks is moderate. Lending in the assessment area has been centered in small farm operating loans and small dollar general commercial and consumer credits.

The local economy is slow. The most recent data reflected a 3% unemployment rate. Major employers and number of employees in the assessment area include Pawnee Schools (108), United Community Action (100), Pawnee County Court House (80), and Pawnee Municipal Hospital (70).

COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we reviewed a contact made with the Mayor of Pawnee. Based on the information obtained, there is a need for affordable housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

FNB's LTD ratio *meets* the standard for satisfactory performance given the bank's size, financial condition, and considering the communities credit needs. Since the March 24, 1997 Performance Evaluation, the bank's LTD ratio averaged 68.53%. Over the same time period, the bank's competitor's had an average LTD ratio of 60.84%. The peer group consists of the subject bank and three other commercial banks operating within the assessment area.

Lending in Assessment Area

FNB's lending within the assessment area *exceeds* the standard for satisfactory performance. This conclusion was drawn from a judgmental sample of one-to-four family real estate home purchase, automobile, and small business/farm loans originated since the March 24, 1997 Performance Evaluation. The table below reflects the number and dollar amount of loans sampled and the percentages originated within and outside the assessment area. As captioned below, 83% of the number of automobile, 73% of the number of residential real estate loans, and 91% of the number of small business and small farm loans were originated to customer's residing within the bank's assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Automobile	25	83%	\$125	77%	5	17%	\$37	23%
Residential Real Estate	24	73%	\$670	83%	9	27%	\$141	17%
Small Business & Small Farms	20	91%	\$1,075	78%	2	9%	\$308	22%

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

FNB's pattern of lending to borrowers of different income levels and businesses of different sizes *meets* the standard for satisfactory performance. Real estate lending is the primary loan product offered at the bank. Our real estate sample included all home purchase loans originated in either 2000 or 2001. Lending pattern to low-income families is slightly below the percentage of low-income families in the assessment area. Lending pattern to moderate-income families is consistent with the percentage of moderate-income families in the assessment area. Bank management indicated they have very flexible underwriting guidelines, which can accommodate most creditworthy borrowers. A borrower's total debt ratio can be as high as 40% and loans with a fifteen-year amortization and seven year fixed interest rate are available.

Based on our judgmental sample of automobile loans originated in 2001, FNB achieved very good penetration to low- and moderate-income households. According to 1990 United States Census data, 22% of the bank's assessment area is comprised of low-income households while 36% of the number of loans in our sample were to low-income households. Sixteen percent of the households in the bank's assessment area are moderate-income households while 20% of the number of loans in our sample were to moderate-income families.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	19.3		17.3		21.0		42.4	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1-4 Family Real Estate	17%	6%	17%	12%	29%	21%	37%	61%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	22.1		15.8		17.0		45.1	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Automobile	36%	30%	20%	12%	24%	15%	20%	43%

FNB's lending pattern to small businesses and small farms reflects very good dispersion. Twenty small business/farm loans originated in the assessment area. Of the twenty loans sampled, 95% were to entities with gross revenue less than one million dollars. The chart below reflects the lending pattern of small business/farm loans in our sample.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	86%	5%
% of Bank Loans in AA #	95%	5%
% of Bank Loans in AA \$	77%	23%

Geographic Distribution of Loans

A geographic distribution analysis of lending patterns throughout the assessment area was not performed. The assessment area encompasses a large geographical area, which includes a very diverse population representing all income categories. Therefore, a geographical lending analysis would not be meaningful.

Responses to Complaints

FNB has not received any complaints relevant to CRA during the evaluation period.

Compliance with Fair Lending Laws and Regulations

A fair lending review was performed as of **June 8, 2000** to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of the ECOA.