



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Tulsa, OK 74136

PUBLIC DISCLOSURE

July 02, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Pawnee
Charter Number 5224**

**601 Harrison Street
Pawnee, OK 74058**

**Comptroller of the Currency
Tulsa (eastern Oklahoma)
7134 South Yale Executive Ctr. Bldg., 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.

INSTITUTION'S CRA RATING: This bank is rated Satisfactory

The major factors that support this rating include:

- 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 good and has averaged 65% since our last examination on November 5, 2001.
- Management demonstrates a strong commitment as evidenced by the value of loans to low- and moderate-income individuals (LMI) and small businesses and farming operations.
- FNB generates a substantial majority of its loans within the defined assessment area.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) was conducted using small bank examination procedures to assess FNB's lending performance focusing on five performance criteria: the loan-to-deposit ratio; lending in the assessment area (AA); lending to borrowers of different incomes and to businesses/farms of different sizes; geographic distribution of loans; and, responses to complaints.

Major loan products offered by the bank were sampled and consisted of 20 farm loans, 20 business loans, 20 residential real estate loans, and 20 consumer loans, originated since December 31, 2004. We contacted a member of a local community organization to gain a better understanding of the needs of the citizens residing within the assessment area of Pawnee County.

The following pages further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

FNB of Pawnee is a \$54 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. The bank has four ATM's located at the main office, drive-thru facility, Pawnee Indian Casino, and a convenience store at the Pawnee exit on Hwy 412. 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 9:00 a.m. to 5 p.m. on Monday - Friday. Additionally, the drive-thru is opened on Saturday from 9:00 a.m. to 12 p.m.

FNB was last evaluated under the CRA on November 5, 2001 and 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 57% of total assets.

Although the bank offers a variety of traditional 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 March 31, 2007.

Loan Category	\$(000)	%
Commercial Real Estate Loans	9,082	29.49%
Commercial Loans	3,394	11.02%
Residential Real Estate Loans	5,611	18.22%
Farm Production Loans	6,278	20.38%
Farm Real Estate Loans	2,636	8.56%
Consumer Loans	3,639	11.81%
Other Loans	160	Less than 1%
Total	30,800	100%

Source: March 31, 2007 Consolidated Reports of Condition and Income

DESCRIPTION OF PAWNEE COUNTY

FNB has designated the entire Pawnee County as its assessment area, which is part of the Tulsa Metropolitan Statistical Area (MSA). This delineation meets the technical requirements of the regulation and does not arbitrarily exclude low-to-moderate (LMI) geographies/individuals. There are five census tracts in Pawnee County with four tracts designated as moderate income and one tract middle income.

A community contact interview was conducted with a member of a local community organization during the evaluation. The contact indicated that the primary needs within the assessment area are economic growth and development and an industrial presence to create new jobs. An increase in affordable housing would help retain people working in Pawnee from living in neighboring areas.

The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	4,761
Number of Households	6,372
Geographies	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	80%
% Middle-Income Census Tracts/BNA	20%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$37,667
2000 MFI for MSA	\$45,678
2007 HUD-Adjusted MFI	\$54,500
Economic Indicators	
Unemployment Rate (as of May 2007)	
Pawnee County	5.1%
US	4.5%
2000 Median Housing Value	\$53,129
% of Households Below Poverty Level	13.50%

Sources: CRA Wiz, Bureau of Labor Statistics; 2000 Census data

There are three financial institutions headquartered 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 an unemployment rate that slightly above the national average. Major employers and number of employees in the assessment area include Pawnee Nation (200), Pawnee Schools (120), United Community Action (100), and Pawnee County Court House (80).

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit 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 last Performance Evaluation, the bank's LTD ratio averaged 65%. Over the same time period, the bank's competitor's had an average LTD ratio of 73%. The peer group consists of the subject bank and two other commercial banks operating within the assessment area. The LTD ratio stated below is derived by calculating the quarterly average since June 2002.

Institution	Assets (as of March 31, 2007)	Average LTD Ratio
Security Bank	\$328 Million	80%
The First National Bank of Pawnee	\$54 Million	65%
The Cleveland Bank	\$46 Million	59%

Source: March 31, 2007 Consolidated Reports of Condition and Income; Uniform Bank Performance Report.

Lending in Assessment Area

FNB's lending within the assessment area *meets* the standard for satisfactory performance. This conclusion was drawn from an analysis of all residential, small business/farm loans, and consumer loans originated since the last CRA exam (June 2002). The table below reflects the number and dollar amount of loans and the percentages originated within and outside the assessment area. As depicted by the table, a majority of loans originated by FNB are to consumers and businesses that reside within the bank's assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agriculture	183	71%	6,842	67%	76	29%	3,329	33%
Residential	168	71%	6,218	48%	70	29%	6,627	52%
Consumer	584	72%	3,226	70%	228	28%	1,372	30%
Commercial	128	67%	2,447	53%	64	33%	2,173	47%
Total	1063	71%	18733	58%	438	29%	13,501	42%

Source: Loan portfolio and National Credit Tool.

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 *exceeds* the standard for satisfactory performance. Recent lending patterns indicate a very good distribution of loans among borrowers of different income levels and businesses of different sizes. Census income information is updated by HUD annually to reflect current family income levels that are used for residential real estate and consumer loan comparisons. Income information for businesses was derived from the 2000 Census. The tables below reflect the distribution of residential real estate, consumer, and small business/farm loans within the bank's assessment area.

Table 2 - Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
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
Residential Loans	25%	15%	24%	60%	24%	20%	27%	5%

Source: loan sample; U.S. 2000 Census data.

Table 2A - Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	19%	55%	15%	20%	20%	20%	46%	5%

Source: loan sample; U.S. 2000 Census data.

Table 2B - Borrower Distribution of Loans to Businesses		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	42%	2%
% of Bank Loans in AA by #	95%	5%
% of Bank Loans in AA by \$	94%	6%

Source: Loan sample; Dunn and Bradstreet Data. 56% of AA businesses did not report revenue data.

Table 2B – Borrower Distribution of Farm Loans

Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA farms*	96%	4%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: Loan sample; Dunn and Bradstreet Data.

Geographic Distribution of Loans

An analysis of the distribution of loans by income level of the census tracts revealed *very good* dispersion. Four of the five census tracts are moderate-income. There are no low-income tracts in the assessment area. The banking facilities are located in the moderate-income areas. A substantial majority of the bank's lending is in the census tract where the banking offices are located. This has contributed to the favorable performance regarding this rating element. The following tables depict the geographic analysis of residential real estate, consumer, and small business/farms in our sample compared to demographic data relative to the income level of the census tracts in the assessment area.

Table 3 - Geographic Distribution of Residential Real Estate Loans								
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	0%	0%	72%	100%	28%	0%	0%	0%

Source: loan sample, U.S. 2000 Census data.

Table 3A – Geographic Distribution of Consumer Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	0%	0%	74%	100%	26%	0%	0%	0%

Source: loan sample; U.S.2000 Census data

Table 3B - Geographic Distribution of Loans to Businesses								
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%	0%	99%	99%	1%	1%	0%	0%

Source: 2006 Business Geodemographic Data; U.S.2000 Census data.

Table 3C - Geographic Distribution of Loans to Farms								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0%	0%	100%	100%	0%	0%	0%	0%

Source: 2006 Business Geodemographic Data; U.S.2000 Census data.

Responses to Complaints

FNB has not received any formal CRA complaints since the prior CRA examination in 2001. The bank's CRA public file contains all required public disclosures.

Compliance with Fair Lending Laws and Regulations

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