



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 10, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Pawhuska
Charter Number 8313

100 West Main Street
Pawhuska, OK 74056-0000

Office of the Comptroller of the Currency

TULSA (EASTERN OKLAHOMA) Field Office
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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.

The major factors that support this rating include:

- A majority of the loans sampled were originated within the bank's assessment area.
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and to businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.
- First National Bank (FNB) in Pawhuska, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is based largely on 2000 U.S. Census data and 2010 business demographic information. The bank's assessment area was reviewed and included the census tracts in which the bank has its main office and drive-in facility, as well as the surrounding geographies. Products reviewed for FNB included a sample of business and consumer loans originated in 2009, 2010 and as of April 30, 2011.

DESCRIPTION OF INSTITUTION

FNB is a community bank located in Pawhuska, Oklahoma. The bank is owned by Pawhuska Financial Corporation, a one-bank holding company. The main bank is located at 100 West Main and the drive-in facility is located at 200 West Main in downtown Pawhuska. Automated Teller Machines are located at the drive-in facility, the Pawhuska Hometown Foods at 236 East Main, and the Handys Grocery at 521 East Main in Pawhuska, Oklahoma.

The bank's primary focus is to serve commercial and consumer customers in Pawhuska and the surrounding communities. The bank meets these needs by providing traditional loan and deposit products, as well as Internet Banking and 24-Hour Tele-Banking services. The bank offers government guaranteed Small Business Administration and Farm Service Agency loans. The Drive-in is open longer hours than the main bank and is also open on Saturdays until noon. The bank's lending strategy focuses on commercial and consumer loans.

As of March 31, 2011, FNB had total assets of \$29 million, of which \$16 million, or 54 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Portfolio Composition as of March 31, 2011		
Loan Category	\$ (000)	%
Commercial Loans	5,062	32%
Residential Real Estate Loans	4,684	29%
Consumer Loans	3,608	23%
Agriculture Loans	2,491	16%
Total	15,845	100%

There are no known legal or financial impediments that would prevent the bank from meeting the credit needs within the assessment area. FNB is involved in and provides support to meet the community's financial needs. The bank received an overall rating of Satisfactory at the last CRA examination dated May 5, 2005.

DESCRIPTION OF FNB's ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

FNB's assessment area is identified as all of Osage County in northeastern Oklahoma. The assessment area includes 10 contiguous census tracts in the Tulsa, OK Metropolitan Statistical Area. Of these, 3 tracts are considered moderate-income and 7 tracts are considered middle-income tracts. The main bank and drive-in facility are located in a moderate-income census tract in Osage County. The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

Demographic and Economic Characteristics of Assessment Area	
<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 Assessment Area	40,127
2010 HUD-Adjusted MFI	59,300
<i>Economic Indicators</i>	
2000 Median Housing Value	58,193
% of Households Below Poverty Level	13.64%

The total population of the assessment area is 44,437 persons. Although there are not any low-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 12,332 families, 24 percent are low-income families and 20 percent are moderate-income families. Of the 16,656 households, 14 percent are below the poverty level. The median housing value is 58,193, with the median age of housing stock at 41 years.

The local economic conditions are considered stable and improving. The economy is somewhat reliant on oil and gas businesses and ranching. The major employers in the area are county government operations, Pawhuska Public School System and Osage Bureau of Indian Affairs. FNB faces strong competition from branches of banks and financial institutions headquartered in larger cities.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate needs of the community are being fulfilled, according to the contact. The contact identified a need for all types of housing in the community. The contact stated that area financial institutions are generally meeting the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

To evaluate FNB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 24 commercial loans and 26 consumer loans that have originated since January 1, 2009 were selected. 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

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. FNB's average quarterly loan-to-deposit ratio from March 31, 2005 through December 31, 2010 is 72 percent. The average quarterly LTD of the thirty-two banks chartered in Osage County and the five surrounding Counties in Oklahoma is 80 percent. The ratios range from a low of 37 percent to a high of 103 percent. The ratios of four similarly situated banks were analyzed over the same time period and are listed in the table below.

Institution	Assets as of 12/31/2010 \$(000)	Average LTD Ratio
<i>First National Bank in Pawhuska, OK</i>	<i>\$30,121</i>	<i>72%</i>
The First National Bank in Pawnee, OK	\$62,266	66%
The Cleveland Bank, Cleveland, OK	\$55,183	63%
The First State Bank, Fairfax, OK	\$38,178	50%
First National Bank in Hominy, OK	\$40,973	37%

Lending in Assessment Area

FNB's lending in their assessment area meets the standard for satisfactory performance. A majority of the consumer loans and the business loans sampled were originated in the bank's assessment area. This conclusion is based on the sample of 26 consumer loans and 24 business loans that originated in 2009, 2010 and as of April 30, 2011, as depicted in the following table.

TOTAL LOANS REVIEWED										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Consumer	21	81%	5	19%	26	353	90%	38	10%	391
Business	21	87%	3	13%	24	1,670	92%	154	8%	1,824
Totals	42	84%	8	16%	50	2,023	91%	192	9%	2,215

Source: Consumer loan sample and business loan sample

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

FNB's lending to borrowers of different incomes and to businesses of different sizes exceeds the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 21 business loans and 21 consumer loans extended within the assessment area.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79%	2%	19%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	77%	23%	0%	100%

Source: Dunn and Bradstreet and business loan sample

FNB's loan distribution to businesses is more than reasonable. The sample of business loans revealed that a majority of the loans were extended to small businesses with annual gross revenues of less than \$1 million per year. However, a large percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown, as reflected in the table above.

Borrower Distribution of Consumer Loans in AA								
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	26%	48%	18%	38%	21%	14%	35%	0%

Source: U.S. Census data and consumer loan sample

The distribution of consumer loans to borrowers of different income levels is more than reasonable. The number of consumer loans extended to low- and moderate-income borrowers exceeds the ratio of low- and moderate-income households in the assessment area.

Geographic Distribution of Loans

The distribution of consumer loans and business loans to geographies of different income levels is more than reasonable and exceeds the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 21 consumer loans and 21 business loans extended within the assessment area.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	0%	0%	35%	86%	65%	14%	0%	0%

Source: U.S. Census data and business loan sample

The number of business loans extended in the moderate-income census tracts exceeds the percentage of businesses in moderate-income census tracts.

Geographic Distribution of Consumer Loans in AA								
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	0%	0%	29%	81%	71%	19%	0%	0%

Source: U.S. Census data and consumer loan sample

The number of consumer loans extended in the moderate-income census tracts exceeds the percentage of businesses in moderate-income census tracts

Responses to Complaints

There have been no consumer complaints pertaining to FNB’s CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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