



PUBLIC DISCLOSURE

August 18, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PIONEER BANK AND TRUST
RSSD# 818353

P.O. BOX 111
PONCA CITY, OKLAHOMA 74602

Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198

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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GENERAL INFORMATION

INSTITUTION'S CRA RATING: *This institution is rated "Satisfactory"*

Pioneer Bank and Trust has a satisfactory record of helping to meet the credit needs of its entire assessment area in a manner consistent with its resources and capabilities. The rating of the bank was assessed under the five core criteria developed for evaluating the Community Reinvestment Act (CRA) performance of small banks.

- Loan-to-Deposit Ratio;
- Lending Inside the Assessment Area;
- Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes;
- Distribution of Lending by Income Level of Geography; and
- Record of Responding to Complaints about the Bank's CRA Performance.

Conclusions for each of the performance criteria were based, in part, on data compiled from statistically derived loan samples of the bank's major product lines. The bank's major product lines were determined based on discussions with management, a review of the bank's Report of Condition and Income (Call Report), and a review of the volume of loan originations since the last examination. As a result, the major product lines chosen for review were commercial and residential real estate loans.

Summary of Findings

- The bank's loan-to-deposit (LTD) ratio reflected a more than reasonable effort to extend credit in a competitive banking market consistent with safe and sound banking practices.
- The majority of the bank's lending activity was within its assessment area.
- The distribution of loans among borrowers of different income levels and to businesses of different revenue sizes reflected a reasonable dispersion.
- The distribution of lending by income level of geography was also reasonable based on the bank's economic and demographic factors.
- The bank's response to complaints was not evaluated because the bank had not received any complaints regarding its performance under the CRA since the last examination.

DESCRIPTION OF INSTITUTION

Pioneer Bank and Trust is a full-service bank located in Ponca City, Oklahoma, a community of approximately 26,000 residents in Kay County, Oklahoma. The bank also has one full-service branch facility located at 2701 North 14th and one deposit-only motor bank at 2 Lake Boulevard, both in Ponca City. In addition, the bank has four cash-dispensing only automatic teller machines (ATMs) and three loan production offices (LPOs) located in Blackwell and Bartlesville, Oklahoma, as well as Wichita, Kansas. The two Oklahoma LPOs provide only high-risk "pay-day" loans, in amounts between \$450 and \$600. The Wichita LPO offers residential and commercial real estate loans and engages in significant secondary market activities.

The bank has the ability to meet the credit needs of its defined assessment area based on its financial condition, size, and credit product offerings. As of March 31, 2003, the bank's total assets were \$168.6 million, with net loans of \$114.7 million. On June 30, 2002, bank deposits totaled \$137.7 million, ranking second in terms of deposit market share out of twenty-three banks with offices in Kay, Osage, and Noble Counties.

As illustrated by Table 1, approximately 82.3 percent of the bank's loan portfolio was comprised of commercial and real estate loans.

Table 1
Pioneer Bank and Trust's Loan Portfolio
(As of March 31, 2003 Report of Condition and Income)¹

Loan Type	Amount (\$000)	Percent of Total
Commercial	73,863	63.6
Real Estate	21,649	18.7
Consumer	10,238	8.8
Other	6,016	5.2
Agricultural	4,273	3.7
TOTAL	116,039	100.0

There are no legal, financial, or other factors that would affect the bank's ability to meet the credit needs of its assessment area. The bank received a satisfactory rating at its previous CRA evaluation by the Federal Reserve Bank of Kansas City on July 12, 1999.

¹ Report of Condition and Income dated March 31, 2003 is the most recent financial data.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Pioneer Bank and Trust defined its assessment area as all of Kay County, Oklahoma, as well as the western portion of Osage County, Oklahoma and the eastern portion of Noble County, Oklahoma. The bank changed its assessment area to reflect the demographic changes associated with the 2000 Census. The assessment area is comprised of 2 moderate-, 10 middle-, and 3 upper-income block numbering areas (BNAs)². The two geographies located in Osage County, Oklahoma are part of the Tulsa Metropolitan Statistical Area (MSA). In addition, a portion of the assessment area is located within the Osage Indian Reservation.

The assessment area's population decreased by 2.4 percent from 59,247 in 1990 to 57,827 in 2000, while the state population increased by 9.7 percent for the same period. The population in Kay County is concentrated in Ponca City, with a 2000 population of 25,919. Ponca City experienced a slight population decrease of 1.7 percent from 1990 to 2000. A community member stated that last year's merger of Conoco, Inc. with the Phillips Petroleum Company eliminated approximately 200 positions within the company. Additional information from a community member revealed that approximately 600 Ponca City residents relocated to Bartlesville, Oklahoma and Houston, Texas to maintain their positions with the newly merged company. In addition, the assessment area contained a larger older population with 16.6 percent of its residents over 64 years old compared to 13.2 percent for the state of Oklahoma, according to 2000 Census Data.

In 1990, the bank's assessment area was an upper-income area overall with a median family income (\$30,655) that was 127 percent of the median family income in statewide rural areas (\$24,139).³ The area contained slightly lower concentrations of low- and moderate-income (LMI) families than in Oklahoma as a whole. LMI families in the assessment area comprised 37.2 percent of area families based on 2000 figures, compared to the state of Oklahoma at 38.3 percent. However, families below the poverty level in the area for 2000 equaled 12.4 percent, while 11.2 percent of the families statewide lived in poverty.

The assessment area's unemployment rate of 7.3 percent was higher than the state of Oklahoma's at 5.2 percent, according to 2000 Census Data. Major employers in the area include ConocoPhillips (refinery), Ponca City Public Schools, Tyson Foods (meat processing), Albertson's, Inc. (distribution/warehouse), and Via Christi Oklahoma Regional Medical Center (general healthcare services).

² The income level of a BNA is determined by comparing the median family income of the BNA to the statewide rural median family income. If the BNA is between 50 percent and 80 percent, the BNA is moderate-income. If it is between 80 percent and 120 percent, it is middle-income. A BNA that is greater than 120 percent is considered to be upper-income.

³ The median family income for statewide rural areas that was used for borrower income analysis in this evaluation was \$39,400 for 2003.

Table 2 provides details of the bank's assessment area based on 2000 Census Data.

Table 2 Pioneer Bank and Trust's Assessment Area Characteristics	
	<i>Based on 2000 Census</i>
<i>Tract Summary</i>	
Total Number of Tracts	15
Number of Moderate-Income Tracts	2
Number of Middle-Income Tracts	10
Number of Upper-Income Tracts	3
<i>Income Summary</i>	
Median Family Income*	\$37,898
Percent Low-Income Families	19.7
Percent Moderate-Income Families	17.5
Percent Middle-Income Families	19.9
Percent Upper-Income Families	42.9
<i>Unemployment Summary</i>	
Labor Force Population (Assessment Area)	26,679
Percent Unemployment (Assessment Area)	7.3
Percent Unemployment (State)	5.2
<i>Miscellaneous Information</i>	
Total Population	57,827
Percentage of Families Below Poverty	12.4
Total Housing Units	26,271
Percentage Owner-Occupied Units to Total Units	64.0
Percentage Rental Units to Total Units	23.5
Percentage Vacant Units to Total Units	12.5
* The HUD-adjusted median family income was \$39,400 for 2003.	

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

As previously noted, various criteria were considered when evaluating the bank's overall CRA performance. In addition, two community members were interviewed to gather additional information about the assessment area's credit needs and to confirm that products and services offered by area financial institutions adequately met those needs. The bank's responsiveness to CRA complaints was not included in the evaluation, as no complaints pertaining to its CRA performance have been received since the last examination.

Loan-to-Deposit Ratio

Pioneer Bank and Trust's net LTD ratio, based on an average of the last 16 quarters since the previous CRA examination, was 75.6 percent and was considered reasonable given the bank's financial condition and credit needs of its assessment area. An eight-quarter period was utilized for comparison with local, state, and national peer group averages. Based on eight consecutive quarters through March 31, 2003, the bank's net LTD ratio of 77.4 percent exceeded that of local peer banks considered during the analysis which ranged from 36.1 percent to 70.3 percent. In addition, the bank's net LTD ratio was also higher than state and national peer group averages for the same time period at 67.3 and 70.1 percent, respectively.

Lending Inside the Assessment Area

Based on a sample of loans reviewed during the examination, a majority of the bank's lending occurred in the assessment area. A sample of 64 loans consisting of 36 commercial loans and 28 residential real estate loans originated through June 2003, revealed that 81 percent of the loans by number and 51 percent of the loans by dollar volume were originated inside the bank's assessment area. Although by number the majority of the bank's commercial loans were in the bank's assessment area, the percentage by dollar volume was much lower since the majority of the loans originated were small dollar loans. Table 3 summarizes the percentage of loans reviewed, by number and dollar amount, which were located inside the bank's assessment area.

Table 3 Loans Inside the Bank's Assessment Area				
Loan Type	Number	Percent	\$ Volume (000)	Percent
Commercial (36)	27	75	962	29
Residential Real Estate (28)	25	89	1,601	94
All Loans Reviewed (64)	52	81	2,563	51

Distribution of Loans to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

Residential Real Estate Loans

Based on the demographics of the assessment area, the bank's distribution of residential real estate loans to borrowers of different income levels was reasonable. The bank's percentage of loans made to borrowers of different income levels was compared to the percentage of families in the assessment area that were designated low-, moderate-,

middle- and upper-income. The analysis focused on the number of loans originated rather than the dollar volume, as it is a better indicator of the number of people benefiting from these products.

Table 4
Percentage Distribution of Real Estate Loans Inside the Bank's Assessment Area
By Income Level of Borrower

Income Level of Borrower	Residential Real Estate Loans Reviewed (25 total)	Percent of Families Within Bank's Assessment Area by Income Level
<i>Low (0 to 50 percent of median income)</i>	16	20
<i>Moderate (50 to 80 percent of median income)</i>	4	17
<i>Middle (80 to 120 percent of median income)</i>	24	20
<i>Upper (Greater than 120 percent of median income)</i>	56	43
Totals	100	100

As shown in Table 4, the bank's level of residential real estate loans to low-income borrowers at 16.0 percent was lower than the percentage of families within that income category. Similarly, the bank's level of lending to moderate-income borrowers at 4.0 percent was significantly lower than the percentage of families within that income category. In total, the bank originated 20.0 percent of its residential real estate loans to LMI borrowers, which was lower than the percentage of families in the assessment area that were designated LMI at 37.0 percent. However, 12.4 percent of families within the assessment area were below the poverty level and consequently, less likely to have sufficient economic viability to obtain residential real estate loans. In addition, a majority of the bank's residential real estate lending involves secondary market activity, which was not reflected in the sample of residential real estate loans reviewed. The bank sells both FHA and VA loans on the secondary market, and these governmentally guaranteed loans are typically more affordable for LMI borrowers. Because of these factors, the bank's residential lending to LMI families is considered reasonable.

Commercial Loans

A review of the bank's commercial loans revealed a reasonable distribution of loans to small businesses (businesses with gross annual revenues of \$1 million or less). As previously stated, 87 percent of the businesses in the bank's assessment area were designated as small businesses. Of the commercial loans reviewed, 70 percent of the loans were extended to small businesses. However, community members stated that local financial institutions have met the needs of all small businesses in the area, and that there does not appear to be any unmet credit needs of businesses with revenues of \$1 million or less. The bank offers Small Business Administration (SBA) loans to specifically target these types of businesses. Of the loans to small businesses, 100 percent of the loans were for amounts less than or equal to \$100,000, amounts typically needed for small businesses.

Distribution of Lending Among Geographies of Different Income Levels

Residential Real Estate Loans

The bank's geographic distribution of real estate lending was considered reasonable based on the bank's economic and demographic factors. Although no real estate loans were originated in moderate-income geographies, demographic data showed that 92.7 percent of the assessment area's total population resided in the middle and upper-income geographies. Of total families residing in moderate-income geographies, 53.8 percent are LMI families. The unemployment rate was also higher in moderate-income areas at 9.6 percent, compared to 7.6 and 5.7 percent in middle- and upper-income areas, respectively, which was a factor concerning the economic viability of residents in those geographies. In addition, 45.4 percent of the total housing units in moderate-income geographies were either rental units or vacant, lowering the demand for residential real estate loans. Community members also stated that many of the rental units located in the moderate-income geographies were dilapidated.

Commercial Loans

The bank's lending to businesses throughout the assessment area was considered favorable. Of the commercial loans originated within the assessment area, 23.0 percent were to businesses located in moderate-income areas, which exceeded the percentage of businesses located in the area's moderate-income geographies at 2.0 percent, according to 2001 Dun & Bradstreet data.

Compliance with Anti-discrimination Laws and Regulations

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. Discussions with bank personnel and a review of bank policies and procedures, credit applications, and loans revealed no practices designed to discourage loan applications on a prohibited basis. Further, the bank was not engaged in other illegal credit practices inconsistent with helping to meet community credit needs.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Block Numbering Areas (BNAs) – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract or a block numbering area.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”