

Bank of Cushing & Trust Company
March 4, 1996

PUBLIC DISCLOSURE

March 4, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

BANK OF CUSHING & TRUST COMPANY
10-40-0900
271752

P.O. BOX 951
CUSHING, OKLAHOMA 74023

Federal Reserve Bank of Kansas City

925 Grand Boulevard
Kansas City, Missouri 64198

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March 4, 1996

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of the Bank of Cushing, Cushing, Oklahoma prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of March 4, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S CRA RATING: *Satisfactory record of meeting community credit needs.*

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods. The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. In addition, a substantial majority of loans are in the institution's assessment area. Furthermore, the geographic distribution of loans and the distribution among borrowers of different income levels and businesses of different sizes reflects a reasonable dispersion throughout the bank's assessment area.

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The following table indicates the performance level of the Bank of Cushing with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	BANK OF CUSHING PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The bank has the ability to meet the credit needs of its defined assessment area based on its size, financial condition, and resources. According to the bank's December 31, 1995 Consolidated Reports of Condition and Income (ACall Report), the bank's assets totaled \$51,024M, of which loans constituted \$24,439M or 48 percent. The total deposits were \$44,200M, with a loan-to-deposit ratio of 55 percent. The lending needs of the community are diverse, but the predominate needs in the assessment area are for small business and real estate lending. As depicted below, commercial and real estate lending constitute 38 percent and

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12 percent, respectively, of total loans. However, the bank does offer a variety of loan products to meet the credit needs of its entire assessment area. The types of credit products offered by the bank, as listed in the bank's public file, include all-purpose consumer loans, home purchase and refinance loans, and loans to finance farms and businesses of different sizes.

The bank's December 31, 1995 Call Report reflected the following loan distribution:

The Bank's Loan Portfolio		
Loan Type	Amount (\$000)	Percent of Total
Multiple and 1- to 4-family real estate	2,911	11
Farmland or agricultural purposes	2,572	10
Commercial	9,157	37
Nonfarm nonresidential	4,521	18
Consumer	5,050	20
Other	228	0
TOTAL	24,439	100

The bank is located at 224 East Broadway, Cushing, Oklahoma with no additional branches. However, the bank does have an automated teller machine (AATM®) located at 328 East Broadway, Drumright, Oklahoma. The bank is open and readily accessible to the entire community from 9:00 a.m. to 3:00 p.m. on Monday through Thursday, and 9:00 a.m. to 5:30 p.m. on Friday.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area is comprised of four Block Numbering Areas (ABNAs®) located in two separate counties. The following income levels were defined for each BNA in the assessment area:

The Bank's Assessment Area

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COUNTY	BNA	INCOME LEVEL
Payne	0112.00	Moderate
Payne	0113.00	Moderate
Payne	0114.00	Moderate
Creek	0208.00	Moderate

In addition, low-to-moderate income households are located throughout each BNA in the assessment area. Additional assessment area characteristics are summarized in the following tables:

ASSESSMENT AREA CHARACTERISTICS (Payne County)	
Population Summary	
Total Population	16,500
Minority Population	1,600
Percent Minority Population	9.7%
Income Summary	
Median Family Income	21,700
Percent Low-Income Families	36%
Percent Moderate-Income Families	22%
Percent Middle-Income Families	23%
Percent Upper-Income Families	18%
Miscellaneous Information	
Percentage of Households Below Poverty	16%
Percent Unemployment	7%

Oil-related production and businesses are the primary source of income in the assessment area. The major employers are the Cushing Regional Hospital with 170 employees, Cushing Public Schools with 145 employees, and the City of Cushing with 140 employees. The economic base includes major employers in the oil production industry and retail businesses. The major employers in Drumright are Avis

Auto Rental, 100 employees; The Quapaw Rock and Asphalt Company, 24 employees; Thermoflux Oil Field Equipment, 22 employees; Arco Oil and Gas, 14 employees; and Condor Custom Fiberglass Boats and Boat Molds, Inc., 11 employees. The major employers in Yale are Skinner Tank Construction, 75 employees; the Yale School System, 50 employees; Yale Nursing Home 30 employees; and the City of Yale, 22 employees.

Cushing has a population of 7,218 individuals. In addition, Drumright's and Yale's populations are 3,400, and 3,092, respectively. Cushing is located approximately 30 miles southeast of Stillwater, Oklahoma; 50 miles west of Tulsa; and 65 miles east of Oklahoma City. The commute time to any of these cities is approximately one hour or less.

Community contacts agree that small business and real estate lending are the primary credit needs of the community. This includes rental and primary residence properties in the moderate and middle income price ranges. Commercial loans are needed, not only for start-up businesses, but to maintain working capital and operating lines of credit. The contacts stated that the Bank of Cushing, as well as other financial institutions in the area, are meeting the credit needs of the community. The financial institutions are active and regularly support development efforts. The bank's loan portfolio includes 11.9 percent in real estate and 37.5 percent in commercial lending. Other financial institutions in the area are devoting resources to meet the real estate credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Several factors were considered in evaluating the bank's CRA performance. A review of the bank's level of lending in relation to its deposits and other comparable financial institutions was performed. The penetration and distribution of loan originations within the bank's defined assessment area was also evaluated. Furthermore, the bank's level of lending to borrowers of different income and to businesses and farms of different sizes was reviewed. In addition, the bank's performance under the investment and service tests was evaluated. Community leaders were contacted to ascertain the community credit needs and to confirm that the bank was not only aware of the needs, but that the bank's products and

services met those needs. The bank has not received a complaint since the last examination on January 24, 1994.

The bank's adjusted loan-to-deposit ratio (calculated using the average of the past four quarterly Call Report figures from December 31, 1994 through September 30, 1995) of 55 percent is similar to the other comparable area financial institutions. The adjusted loan-to-deposit ratio for the bank's peer group over the same period was 61 percent. The bank's peer group consists of all insured commercial banks having assets between \$25MM and \$50MM with one banking office, and located in a nonmetropolitan area. An analysis of five neighboring banks in the assessment area demonstrated adjusted loan-to-deposit ratios ranging from 30 to 71 percent over the same period of time. The loan-to-deposit ratio is reasonable, taking into account lending related activities and seasonal variations, and given the institution's size, financial condition, and assessment area credit needs.

A substantial majority of the bank's lending occurs inside its assessment area, based on a sample of several loan types reviewed during the examination. The table below illustrates the number and percentage of loans located within the bank's assessment area by general product type as noted during the review.

Loans Within the Assessment Area	
Loan Type	Percentage
Real Estate	94
Commercial	80
Agricultural	77
Total Loans	83

Furthermore, the distribution of loans within the samples among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes is reasonable, given the demographics of the assessment area. However, limited revenue information was collected on the commercial and agricultural loans and was not consistently available for the analysis. The real estate sample reflected that 9 percent of loans are to low income borrowers, 15 percent of loans to moderate-income borrowers, 27 percent of loans to middle-income borrowers, and 42 percent of loans to upper-income borrowers. The borrowers income level could not be determined on 6 percent of the loans. The commercial loan sample reflected that 73 percent of the loans were to businesses with revenues less than \$1MM and 4 percent with gross revenues equal to or greater than \$1MM. Gross revenues could not be determined on 22 percent of the loans. In addition, the agricultural loan sample reflected 77 percent of the loans to farms with gross revenues less than \$1MM. Gross revenues could not be determined on 23 percent of the loans.

The entire assessment area has been defined as moderate income; however, the northeast section of Cushing has been determined by the community as being predominantly low- to moderate-income. This area is comprised of mail carrier route numbers 4 and 5. According to the quarterly reports of the past two years submitted to the bank's board of directors, 11 percent of the loan portfolio is in this low-to-moderate income section, as defined by the bank. This distribution supports the conclusion that the distribution of loans among individuals of different income

levels (including low- and moderate-income) and businesses and farms of different sizes is reasonable.

Finally, a review of the geographic distribution of loans originated by the bank reflects a reasonable dispersion throughout the bank's assessment area. In addition, a reasonable portion of the originated loans were reasonably distributed among the various BNAs in the assessment area. Based on the loan sample, there were no loan originations located in the eastern section of Burt County BNA #9831.00 in the town of Decatur. In addition, there was only one loan origination in the town of Beemer which is in the southwestern section of Cuming County BNA # 9826.00. These BNAs are adequately serviced by other institutions and are not reasonable for loan penetration by Citizens Bank. The table below demonstrates, by general product type, the number and percentage of loans in the different BNAs as noted during the review.

Percentage of Loans Reviewed In BNAs By Loan Type			
Loan Dispersion Within The Assessment Area			
BNA Number	Real Estate	Commercial	Agricultural
0112.00	-	83.3	16.7
0113.00	35.5	35.5	30.0
0114.00	-	-	100
0208.00	23.1	30.8	46.1

No substantive violations of the antidiscrimination laws and regulations were identified. Furthermore, reviews of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applications. Moreover, bank management has provided staff training to prevent violations of the antidiscrimination laws and regulations.

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