PUBLIC DISCLOSURE

January 22, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Poteau State Bank
10-40-2795

P.O. Box 769
Poteau, Oklahoma 74953-0769

Federal Reserve Bank of Kansas City

925 Grand Avenue
Kansas City, Missouri 64198

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 Poteau State Bank prepared by the Federal Reserve Bank of Kansas City, the institution=s supervisory agency, as of January 22, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part xxx.

INSTITUTION=S CRA RATING: This institution is rated outstanding.

The bank has an outstanding record of, and is a leader in, helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The bank=s loan-to-deposit ratio is more than reasonable and a majority of loans and other lending related activities are in the assessment area. In addition, the geographic distribution of loans reflects an excellent dispersion throughout the assessment area. The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of Poteau State Bank, Poteau, Oklahoma, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Poteau State Bank 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	ANo complaints were received since the date of Federal Reserve Bank membership.@		

DESCRIPTION OF INSTITUTION

Poteau State Bank is located in Poteau, Oklahoma, a town with a population of 7,210 and is the county seat for Le Flore County. Poteau State Bank has the ability to meet the credit needs of its defined assessment area based on its size, financial condition, and resources. The bank had total assets of $79,699M, of which loans constituted $61,142M or 76.7 percent. The total deposits were $73,467M, with a loan-to-deposit ratio of 83.2 percent. The lending needs of the community are diverse, but the predominate credit need in Poteau is residential home financing. As depicted in the following chart, loans for multiple and 1-4 family residential property constitutes 30.2 percent of total loans.

The bank=s September 30, 1995 Call Report reflected the following loan distribution:

LOAN DISTRIBUTION

Loan Type	Amount ($000)	Percent of Total
Multiple & 1-4 Family real estate	18,733	30.2
Farmland or agricultural purposes	10,750	17.3
Commercial	7,116	11.5
Nonfarm nonresidential	7,632	12.3
Consumer	19,519	31.5
Other	27	-
Less: Unearned income	1,729	(2.8)
TOTAL	62,048	100.0

Poteau State Bank has a full service branch in the Wal-Mart Store located on north Broadway. The branch has been open since February 1995.

DESCRIPTION OF LE FLORE COUNTY

Poteau State Bank=s assessment area is all of Le Flore County which is comprised of twelve Block Numbering Areas (ABNAs@). The following income levels were defined for each BNA in Le Flore County:

BNA	Income Level	BNA	Income Level	BNA	Income Level
401.02	Middle	403.02	Middle	407.00	Moderate

401.98	Middle	404.00	Middle	408.96	Low
402.98	Middle	405.00	Moderate	408.97	Low
403.01	Middle	406.00	Middle	408.98	Low

In addition, low-to-moderate income households can be located throughout each BNA in Le Fore County. Additional Le Flore County characteristics are summarized in the following tables:

Population Summary	
Total Population	43,270
Minority Population	6,363
Percent Minority Population	14.7

Income Summary	
Median Family Income	$21,703
Percent Low-Income Families	19.7
Percent Moderate-Income Families	19.2
Percent Middle-Income Families	24.3
Percent Upper-Income Families	36.8

Miscellaneous Information	
Percentage of Households Below Poverty	18.9
Percent Unemployment	8.2

Agriculture is the primary source of income for Le Flore County. There is more agricultural production in Le Flore County than any other county in Oklahoma. Beef and poultry broiler house processing in Le Fore County rates second in Oklahoma. The economic base consists of major employers in agriculture, manufacturing, lumbering, and recreation. In addition to agriculture, the major employers in the Poteau area are OK Industries, a food processing plant with 613 employees; Wortz Co., a cracker and cookie factory with 400 employees; and Wal-Mart, a retailer with 500 employees. The plastic molding industry is rapidly growing in the area supported by Encor Technology with 200 employees and Kenco Plastics, Inc. with 75 employees. In addition, Johnson Controls, Inc. has 110 employees. The level of expertise for employees of these new industries demands a higher salary and has increased the average income level in the county. Wister Lake and the Ouachita National Forest have created a stable recreation and tourism income for the county. Le Flore County also sits atop major reserves of coal and the Arkoma natural gas basin which supports the 105 employees at AES Electric Power Plant. Le Flore County=s diverse industry has resulted in positive economic trends. The community has experienced approximately a 2% growth since the 1990 census.

Poteau has a population of 7,210 individuals. The town is located approximately 130 miles southeast of Tulsa, Oklahoma, 35 miles southwest of Fort Smith, Arkansas, and is in the extreme east central section of Oklahoma. Poteau is the largest community in Le Flore County and is on the northern edge of Wister Lake and the Ouachita National Forest.

Community contacts agree that residential housing is the primary need of the community. The housing needs include 1-4 family and multi-family residences for both primary residences and rental property. The contacts stated that Poteau State Bank, along with other financial institutions in the area, are meeting the credit needs of the community. The financial institutions are active and regularly support development efforts.

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 reviewed. Penetration of loan originations

within and outside 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 scrutinized. In addition, the distribution of loan originations since the bank=s date of membership in the Federal Reserve Bank of Kansas City was evaluated. Finally, community leaders were contacted to ascertain the community credit needs and to confirm that the bank was not only aware of the needs, but the products and services provided by the bank met those needs. The bank has not received a complaint commenting on its CRA record since it became a member of the Federal Reserve Bank of Kansas City.

The bank=s adjusted loan-to-deposit ratio (calculated using the average of the past four quarterly Call Report figures starting with June 30, 1995) of 86.60 percent is higher than the peer group and other comparable area financial institutions. The adjusted loan-to-deposit ratio for the bank=s peer group over the same period was 60.07 percent. The bank=s peer group consists of all insured commercial banks having assets between $50MM and $100MM with two or less banking offices, and located in a non-metropolitan area. An analysis of three neighboring banks, located in Le Flore County, with similar size and resources demonstrated loan-to-deposit ratios ranging from 66.34 to 80.46 percent over the same time period. The bank=s loan-to-deposit ratio reflects bank management=s aggressive credit philosophy. The loan-to-deposit ratio is more than reasonable, taking into account lending related activities, seasonal variations, 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. The following table 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 ASSESSMENT AREA

Loan Type	Percentage within Assessment Area
First Mortgage Consumer Loans	94.7
Second Mortgage Consumer Loans	100.0
Vacant Land for Consumer Loans	87.5
Agricultural Loans	87.1
Commercial Loans	82.9
Real Estate CRA Loans	92.3
Total Loans	90.2

Furthermore, the distribution of loans among individuals of different income levels (including low- and moderate-income persons) and businesses and farms of different sizes is reasonable, given the demographics of the assessment area. The following table illustrates, by general product type, the number and percentage of loans in the different borrower income levels as noted during the review.

DISTRIBUTION OF LOANS AMONG BORROWER INCOME LEVELS

	Percentage In Levels				
Loan Type	Low	Moderate	Middle	Upper	al
nsumer First Mortgage	3.2	2.6	5.8	8.4	0.0
nsumer Second	5.0	5.0	0.0	0.0	0.0

rtgage					
nsumer Vacant Land	2.5	6.3	8.8	2.4	0.0
A Real Estate Loans	3.1	3.1	8.5	5.3	0.0
al Real Estate Loans	2.6	6.9	8.4	2.1	0.0

Loan Type	Percent of Borrowers With Gross Revenues < $1MM
riculture	00.0
mmercial	97.1

Finally, the geographic distribution of loans originated by the bank reflects excellent dispersion throughout the bank=s assessment area. A review of the bank=s loans revealed that the majority of the originated loans were distributed among the various BNAs in the assessment area. Based on the loan sample, the three BNAs (408.96, 408.97, and 408.98) with no loan originations are located in the northeast section of Le Flore County. This portion of the county is adjacent to Fort Smith, Arkansas, and appears oriented to the financial institutions in that area. BNA 405.00 and 407.00 are segregated by the Ouachita National Forest and there are financial institutions serving those areas. The bank provided a listing of loans that were not included in our sample which were originated in the five BNAs. The bank=s penetration of these five BNAs is reasonable given the financial services provided by other institutions and their geographic location. The following table demonstrates, by general product type, the percentage of loans in the different BNAs as noted during the review.

LOAN DISPERSION WITHIN THE ASSESSMENT AREA

Percent of Loans in BNAs	
BNA	Total Loans In BNA
401.02	2%

401.98	5%
402.98	3%
403.01	25%
403.02	4%
404.00	37%
405.00	1%
406.00	12%
407.00	1%
408.96	0%
408.97	0%
408.98	0%
Outside	10%
Total Loans	100%

The investment and service tests were not included in the evaluation of the bank=s performance.

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 antidiscimination laws and regulations.