



## PUBLIC DISCLOSURE

February 02, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank National Association  
Charter Number 13770

201 Carl Albert Parkway  
McAlester, OK 74502

Office of the Comptroller of the Currency  
Tulsa Field Office  
8282 South Memorial Drive Suite 300  
Tulsa, OK 74133

**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: The institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The Bank NA (TBNA) has a satisfactory record of meeting the credit needs of its assessment area (AA). This rating is based on the following:

- A *substantial majority* of the number of TBNA's loans originated during the review period are inside their AA.
- The average quarterly loan-to-deposit (LTD) ratio is *reasonable* based on the TBNA's performance context and lending opportunities within their AA.
- TBNA's distribution of loans reflects a *reasonable penetration* of loans among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a *reasonable dispersion* of loans among borrowers of different income levels and businesses of different sizes.
- TBNA's community development (CD) performance demonstrates *adequate responsiveness* to the community development needs of its AA.

**Scope of Examination**

TBNA is categorized as an Intermediate Small Bank (ISB) under the CRA regulation, and is subject to a Lending Test and a CD Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The Community Development Test evaluates a bank's CD lending, qualified investments, and services.

The evaluation under the Lending Test covers loans originated between January 1, 2013 and September 30, 2014. Performance under the Lending Test was assessed based on a review of TBNA's commercial loans (including commercial real estate and commercial & industrial loans) and 1-4 Family residential purchase loans (1st lien). Our sample included 60 loans for each of these two categories originated during the evaluation period, and is representative of TBNA's business strategy since the previous CRA Performance Evaluation (PE). Our review included loans originated in CTs designated as distressed based on poverty levels by the Federal Financial Institutions Examination Council (FFIEC). We evaluated CD activities based on activity from June 11, 2012 (previous CRA PE) to February 2, 2015. For our evaluation of the distribution of loans, we used the demographics and geographies related to the 2010 Census.

Prior to the evaluation, we tested/sampled loans to verify the accuracy of data used for this evaluation. We also verified CD loans, investments and services submitted by management to ensure the investments and activities met the regulatory definition for community development. We excluded any items that did not meet the definition or purpose of community development.

The Bank is not subject to the data collection rules of the Home Mortgage Disclosure Act since none of its banking centers are located in a metropolitan statistical area.

**Description of Institution**

The Bank, National Association (TBNA) is a \$402 million community bank located in McAlester, Oklahoma, and a subsidiary of NBM Corporation, a one-bank holding company headquartered in McAlester, Oklahoma. TBNA has no affiliates or operating subsidiaries, and there was no merger or acquisition activity since the previous CRA PE. A CRA PE was last prepared June 11, 2012, and a “Satisfactory” rating was assigned. Other than strong competition from other banks and financial institutions in the AA, there are no known legal, financial, or other factors impeding the bank’s ability to meet the credit needs in the AA.

During this same period, TBNA did not open any banking facilities; however, five Automated Teller Machine (ATM) locations were closed. On February 6, 2015, during the current evaluation, TBNA sold two bank branches, located in Holdenville, Oklahoma and Maud, Oklahoma. As a result, the bank will revise their AA to include only two counties, Pittsburg County and Payne County. The main bank facility is located at 201 East Carl Albert Parkway, McAlester, Oklahoma. The bank has seven branches, all located within the state of Oklahoma and within its AA. The bank’s ability to lend to customers within its AA continues to be affected by strong competition from a substantial number of other banks and financial institutions. However, based on the June 30, 2014 Federal Deposit Insurance Corporation (FDIC) Market Share Report, TBNA’s presence in AA is moderate, as they have 14 percent of the deposit market share in this area.

TBNA offers a diverse line of loan and deposit services during reasonable hours, Monday through Sunday, depending on the location, and by telephone and the internet. TBNA continues to focus on serving commercial and consumer customers within its AA. The bank provides various types of loan and deposit products and services. As of September 30, 2014, TBNA’s total assets were \$402 million, of which \$211 million was in loans for residential and commercial real estate, commercial businesses, and loans to individuals.

The following tables provide information on TBNA’s branch and ATM locations at the beginning of this evaluation.

<b>TBNA's Branch Locations</b>		
<b>Location</b>	<b>Address</b>	<b>City</b>
Main Bank	201 East Carl Albert Parkway	McAlester
Wal-Mart Branch	432 South George Nigh Expy	McAlester
Tandy Town Branch	1706 East Carl Albert Parkway	McAlester
Maud Branch	206 West Wanda Jackson Blvd	Maud
Holdenville Branch	1701 East Highway Street	Holdenville
Stillwater 6th Street Branch	800 West Sixth	Stillwater
Stillwater Boomer Branch	1020 North Boomer Road	Stillwater

<b>TBNA's ATM Locations</b>		
<b>Location</b>	<b>Address</b>	<b>City</b>
Main Bank Parking Lot	201 East Carl Albert Pkwy	McAlester
Main Bank Drive-Up	2nd & Washington	McAlester
Army Ammunition Club	1 C Tree Road	McAlester
Army Ammunition Cafeteria	1 C Tree Road	McAlester
Tandy Town	1706 East Carl Albert Pkwy	McAlester
Wal-Mart	432 South George Nigh Expy	McAlester
McAlester Regional Hospital	1 Clark Bass Blvd	McAlester
Ashmore's Valero	701 South George Nigh Expy	McAlester
Sixth Street Branch	800 West Sixth	Stillwater
Boomer Branch	1020 North Boomer	Stillwater
Knoblock	105 South Knoblock	Stillwater
Western	1305 South Western	Stillwater
Holdenville Branch	1701 East Highway Street	Holdenville
Maud Branch	206 West Wanda Jackson Blvd	Maud

The following table illustrates the composition of the bank's loan portfolio as of September 30, 2014, which represents 53 percent of total assets, based on the data presented in the Consolidated Reports of Condition and Income. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

<b>Loan Category</b>	<b>Dollars (\$000's)</b>	<b>%</b>
Commercial Real Estate	\$76,464	36.26%
1-4 Family Residential Real Estate	\$61,162	29.00%
Construction and Land Development	\$19,766	9.37%
Commercial and Industrial	\$17,846	8.46%
Consumer Loans (including Automobile)	\$13,204	6.26%
Secured by Farmland	\$12,057	5.72%
Agricultural Loans	\$5,149	2.44%
Multifamily Loans	\$4,850	2.30%
Other Loans	\$400	0.19%
<b>Total</b>	<b>\$210,898</b>	<b>100.00%</b>

Source: September 30, 2014 Consolidated Reports of Condition and Income

## Description of Assessment Area

TBNA's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA comprises sixty census tracts (CTs) located in the following five Oklahoma counties: Pittsburg, Hughes, Pottawatomie, Seminole, and Payne. None of the counties are located in a Metropolitan Statistical Area (MSA). Of the sixty CT, two tracts are low-income, seven tracts are moderate-income, forty-three tracts are middle-income, seven tracts are upper-income, and one is categorized as "N/A". Payne County is non-contiguous to the other four counties, but all are combined into one AA due to similar performance context and median family incomes.

### Pittsburg County

Pittsburg County is located in Southeastern Oklahoma. The main bank and two branch locations are in the county seat of McAlester. Thirteen CTs are within the county and are included in the bank's AA. Two tracts are moderate-income, eight are middle-income, two are upper-income, and, one is categorized as "N/A". Major employers within this county include the Army Ammunitions Plant and the Oklahoma State Penitentiary.

### Hughes County

Hughes County is located in Southeastern Oklahoma. One bank branch is located in the county seat of Holdenville. Five CTs are within the county and are included in the bank's AA. Two tracts are moderate-income, and three are distressed middle-income CTs.

### Pottawatomie County

Pottawatomie County is located in Central Oklahoma. One bank branch is located in Maud, Oklahoma, which sits on the county line of Pottawatomie and Seminole Counties. Sixteen CTs are located in the county and are included the bank's AA. One tract is low-income, one is moderate-income, twelve are middle-income, and two are upper-income.

### Seminole County

Seminole County is located in Central Oklahoma. Nine CTs are included in the county and in the bank's AA. Two tracts are moderate-income, and seven are distressed middle-income.

### Payne County

Payne County is located in North Central Oklahoma. Two bank branches are located in the county seat of Stillwater, Oklahoma. Seventeen CTs are located in the county and included in the bank's AA. One tract is low-income, thirteen tracts are distressed middle-income, and three are upper-income. Oklahoma State University is located in this county.

The following table provides key demographic and economic characteristics of the AA; based on 2010 United States Census data, which includes income information for businesses:

Demographic and Economic Characteristics of AA						
<b>Geography</b>	#	% Low	% Moderate	% Middle	% Upper	% NA
Geographies (Census Tracts)	60	3.33%	11.67%	71.67%	11.67%	1.67%
Population by Geography	232,114	4.16%	9.29%	71.15%	14.63%	0.77%
Owner-Occupied Housing by Geography	102,452	0.99%	9.17%	73.22%	16.59%	0.02%
Businesses by Geography	18,626	4.43%	10.50%	68.08%	16.97%	0.02%
Farms by Geography	1,005	0.90%	9.15%	72.54%	17.41%	0.00%
<b>Population</b>						
Family Distribution by Income Level	56,086	20.89%	17.42%	19.66%	42.02%	
Household Distribution by Income Level	86,806	27.27%	16.04%	16.81%	39.88%	
<b>Income</b>						
2010 Weighted Average of Median Family Income (MFI)					\$50,138	
2013 Weighted Average of HUD updated MFI					\$49,900	
2014 Weighted Average of HUD updated MFI					\$51,200	
<b>Economic</b>						
Unemployment Rate					3.36%	
2010 Median Housing Value					\$92,478	
% of Households Below the Poverty Level					20.22%	

Source: 2010 United States Census data

Approximately 32 percent of households receive Social Security benefits, and 4 percent receive public assistance. Of the total number of businesses and farms in the AA, 68 percent have 1-4 employees, and 69 percent earn less than \$500,000 in gross annual revenues.

### Community Contact

The OCC contacted two community leaders within the AA to get a better understanding of the general community credit and development needs, and to discuss local economic conditions. Contacts indicated a need for more affordable multifamily housing units and minority-owned businesses. Specifically, there are very few women-owned businesses.

## Conclusions with Respect to Performance Tests

### LENDING TEST

TBNA’s performance under the Lending Test is *Satisfactory*. To evaluate TBNA’s lending performance, we selected loans from the bank’s primary loan products that were originated during the evaluation period. The bank’s primary business lines are commercial real estate, 1-4 family residential purchase loans, construction & development, and commercial & industrial lending.

We sampled and reviewed commercial loans (including commercial real estate and commercial & industrial) to assess TBNA’s distribution of loans among businesses of different sizes. We also sampled and reviewed 1-4 Family residential loans (1st lien). Equal weight was given to each type of lending when evaluating lending performance based on the criteria tested below.

**Loan-to-Deposit Ratio**

TBNA’s loan-to-deposit (LTD) ratio is *reasonable*, relative to their financial condition, local banking competition, and credit needs of the AA. Overall, loan demand in the AA is moderate. Since the previous CRA Performance Evaluation, TBNA’s average LTD averaged 52 percent. The ratio ranged from a low of 47 percent, as of the first quarter 2013, to a high of 57 percent as of the third quarter 2014. As of the previous CRA PE, the average LTD ratio was 59 percent. The average LTD ratio for community banks in the comparative group during the evaluation period was 54 percent. The LTD ratio for the same peer group ranged from 37 percent to 80 percent. The Bank faces significant competition from national, regional and local financial institutions, as well as from nontraditional lenders within the bank’s AA.

**Lending in the Assessment Area**

Our loan sample reveals that a *substantial majority* of loans originated during the review period are inside the bank’s AA. The following table presents a more specific identification of loan types inside and outside of the bank’s AA:

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	52	87	8	13	60	\$9,133	71	\$3,647	29	\$12,780
Residential R/E	55	92	5	8	60	\$4,094	87	\$623	13	\$4,717
<b>Total Reviewed</b>	<b>107</b>	<b>90</b>	<b>13</b>	<b>10</b>	<b>120</b>	<b>\$13,227</b>	<b>79</b>	<b>\$4,270</b>	<b>21</b>	<b>\$17,497</b>

Source: Loan Sample; 2010 United States Census data

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

Business and residential lending patterns during the review period indicate *reasonable penetration* of loan originations among borrowers of different income levels and businesses of different sizes, particularly businesses with gross annual revenues (GAR) less than \$1 million, and low- and moderate-income (LMI) borrowers.

As of September 30, 2014, TBNA’s loan portfolio consisted of 45 percent business loans. Of the 60 business loans we sampled, 98 percent were originated to small businesses. This represents more than reasonable performance, as compared to Dunn and Bradstreet data. This data reflects 71 percent of businesses in the AA have GAR of \$1 million or less. According to 2013 Dunn and Bradstreet data, 25 percent of businesses in the AA did not report GAR.

The following tables present a more specific identification of loan penetration patterns among borrowers inside the AA.

<b>Borrower Distribution of Loans to Businesses in the Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.33%	3.26%	25.41%	100%
% of Bank Loans in AA by #	<b>98.08%</b>	1.92%	0.00%	100%
% of Bank Loans in AA by \$	93.16%	6.84%	0.00%	100%

Source: Dunn and Bradstreet data; Loan Sample; 2010 United States Census data

<b>Borrower Distribution of Residential Real Estate Purchase Loans in the Assessment Area</b>								
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
Home Purchase	20.89	12.73	17.43	21.81	19.66	23.64	42.02	41.82

Source: Loan Sample; 2010 United States Census data

### Geographic Distribution of Loans

Business and residential lending patterns during the review period indicate *reasonable dispersion* of loan originations in most tracts within the AA. Our review did not reveal any conspicuous lending gaps, or areas of low penetration inside the AA.

The geographic distribution of loans to small businesses exceeds the characteristics of the AA for loan originations in the moderate-income CTs, and shows *excellent dispersion*. The bank did not originate any loans in low-income tracts; however, this is reasonable as the AA was greatly modified with the 2014 census upgrade.

The geographic distribution of residential real estate purchase loans reflects a *poor dispersion*. The distribution of residential real estate loans located in moderate-income CTs was 3.64 percent compared to the 9.17 percent of owner occupied housing in this tract designation, and our loan sample did not surface any loans originated in low-income tracts. However, a 2014 census change significantly modified the tract designations within the bank’s AA, and largely contributed to this dispersion. Nonetheless, our review does not indicate that TBNA arbitrarily excluded any specific tracts. Most of the tracts not penetrated are located in Seminole and Pottawatomie Counties.

The bank’s Maud branch is located on the county line for these two counties, thus both have historically been included in the AA. However, the majority of the bank’s lending has been in the tracts where the office is located and the adjacent tracks. The bank’s strategy has not been to reach into the Shawnee and OKC areas located in these counties.

In Hughes County, the tract not penetrated includes a large section of undeveloped land. In Payne County, the low income tract is dominated by the Oklahoma State University campus. The bank is very active in the adjacent tracks particularly in rental properties.

The following tables illustrate the geographic distribution of residential purchase and commercial loans, relative to the income level of the census tract.

Geographic Distribution of Loans to Businesses in Assessment Area								
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
Commercial	4.43%	0.00%	10.50%	13.46%	68.08%	61.54%	16.97%	25.00%

Source: Dunn & Bradstreet data; Loan sample; 2010 United States Census data

Geographic Distribution of Residential Real Estate Loans in Assessment Area								
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 R/E	0.99%	0.00	9.17%	3.64%	73.22%	72.73%	16.59%	23.64%

Source: Loan sample; United States Census data

### Responses to Complaints

There have been no consumer complaints regarding TBNA’s performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank’s CRA Public File contains all of the required information.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated *Satisfactory*. TBNA’s community development (CD) performance through CD lending, CD investments, and CD services, demonstrates *adequate responsiveness* to the community development needs of its AA.

### Community Development Loans

Considering the needs and opportunities in the AA, and TBNA’s performance context and capacity, TNBA’s CD lending performance demonstrates *adequate responsiveness* to the needs of its AA. TBNA originated eight CD loans totaling \$775 thousand during the evaluation period. Three of these were to businesses located in the historic downtown area of McAlester, which helped revitalize the area in accordance with the McAlester Main Street Revitalization Program.

Four loans provided funds for expansion of commercial companies that added a total of 13-14 LMI jobs. The remaining loan was for a charitable organization that provides repair and remodeling services to LMI homeowners in and around Pittsburg County.

From January 2013 to September 2014, TBNA originated 207 primary residence mortgages in the AA. Approximately 149, or 72 percent, of these loans were for mortgages less than \$100,000. In addition, 84 percent of loans for rental dwellings were less than \$100,000.

TBNA also participates in several loan programs focused on improving access to affordable housing and funding for small businesses. These programs include:

- Department of Agriculture Housing Program
- Farm Service Agency
- Federal Housing Administration (FHA) Title II
- USDA 100% Loan program
- Small Business Administration (SBA)
- Veterans Administration (VA)
- Section 184 Native American Home Loan Program

### **Qualified Investments**

Considering the needs and opportunities in the AA, and TBNA's performance context and capacity, TBNA's qualified investments performance demonstrates *adequate responsiveness* to the needs of its AA. During the evaluation period, TBNA purchased qualified investments totaling \$940 thousand in area school bonds for repair and remodeling projects for schools located in distressed geographies. Approximately 73 percent of the students in these geographies received reduced or free lunch. In addition, during the evaluation period TBNA also made \$150 thousand in charitable donations to qualifying organizations within the AA.

Qualified investments also include Municipal Bonds to schools in the AA and other organizations benefitting the State of Oklahoma. Prior period investments in Hughes County ISD's #1, #35, and #54 held a current balance of approximately \$1.6 million; prior period investments in Payne County ISD's #3 and #16 held a current balance of approximately \$1 million; and prior period investments in Pittsburg County ISD's #25, #28, and #88 had a remaining balance of \$290 thousand. TBNA also held two qualified investments from the Oklahoma Housing Finance Authority (OHFA) with a total remaining balance of \$1.3 million. The OHFA helps low-income families' purchase affordable housing.

## Community Development Services

Considering the needs and opportunities in the AA, and TBNA's performance context and capacity, TNBA's CD services performance demonstrates *excellent responsiveness* to the needs of its AA. Bank officers provide services and technical expertise to thirteen charitable organizations that benefit the bank's AA. Bank employees provided over 300 CD service hours to qualified organizations.

The following is a listing of the bank's more notable CD activities since the last performance evaluation:

- ***Hope House of McAlester***  
A bank officer serves as Treasurer on the board of directors. The organization provides shelter and training to temporarily homeless women. They also provide classes that teach basic financial planning, and they help with credit counseling and job-related skills to help residents regain employment and find affordable housing.
- ***SE Oklahoma Red Cross***  
A bank officer serves on the board of directors. The organization responds to fires and natural disasters and provides financial support to victims
- ***Payne County Youth Services***  
A bank officer serves as Treasurer on the board of directors. The organization provides free quality services to improve the quality of life of children, adolescents, adults and their families.
- ***United Way of SE Oklahoma and Stillwater United Way***  
A bank officer serves on the board of directors for each of these organizations. The United Way provides a variety of services to low- and moderate-income individuals within the bank's AA and across Oklahoma.

## Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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