



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 8, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bank, National Association
Charter Number 13770**

**2nd And Carl Albert Parkway
McAlester, Oklahoma 74502**

**Office of the Comptroller of the Currency
Eastern Oklahoma Field Office
7134 South Yale Avenue, Suite 910
Tulsa, OK 74136**

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.

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, National Association, McAlester, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 8, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Note: Throughout this evaluation, **The Bank, National Association** will be referred to as “TBNA.”

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

The conclusion is based on the following:

- TBNA's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- TBNA's LTD ratio is satisfactory. Since the September 8, 1998 Performance Evaluation, the bank's LTD ratio averaged 71.67%. Over the same time period, the bank's competitor's had an average LTD ratio of 75.66%.
- TBNA generates a substantial majority of its loans within the defined assessment area.
- Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small businesses.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

The Bank, National Association (TBNA) is a 287MM bank headquartered in McAlester, Oklahoma, which is about 95 miles south of Tulsa. TBNA is a wholly owned subsidiary of NBM Corporation, a one-bank holding company. TBNA has offices in four separate counties in southeast Oklahoma. In addition to the main office located in McAlester, there are branches in Maud (Pottawatomie County), Holdenville (Hughes County), and Stillwater (Payne County). TBNA has six banking offices, two drive-in facilities, and twenty automated teller machines (ATM's). Hours of operation are responsive to the general banking needs of the areas served.

The bank received an overall Satisfactory rating for the last CRA Public Evaluation dated September 8, 1998. There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of the assessment area. As of December 31, 2003, net loans totaled 177MM and represented 62% of total assets. Although the bank offers a wide variety of credit products, its lending strategy focuses on residential real estate, commercial, and consumer. The table below reflects the composition of the bank's loan portfolio as of December 31, 2003.

Loan Category	\$ (000)	%
1-4 Family Residential	59,642	34%
Commercial Real Estate	33,835	19%
Commercial and Industrial	31,352	18%
Consumer	29,297	17%
Construction and Land Development	11,624	7%
Agricultural Real Estate	5,282	3%
Agricultural	4,721	2%
Other	852	0%
Total	176,605	100.00%

Source: December 31, 2003 Consolidated Report of Condition and Income

DESCRIPTION OF ASSESSMENT AREA

TBNA's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. TBNA's assessment area (AA) is defined as all of Pittsburg, Payne, Hughes, and Seminole counties, and Census Tract 5012.01 in Pottawatomie County. The AA consists of thirty-eight Block Numbering Areas (BNA's) and one census tract. The AA includes one low, eleven moderate, twenty middle, and seven upper BNA's/census tracts. Since the last performance evaluation, management added six BNA's. The additional BNA's are the result of including the entire Seminole County in the AA. Of the six new BNA's, four are moderate income.

Pittsburg County

McAlester, Oklahoma is located in southeastern Oklahoma in Pittsburg County and is approximately 95 miles south of Tulsa. McAlester is the county seat and has a population of 17,783. Pittsburg County reports a population of 43,953 based on 2000 U.S. Census data. There are 12 BNA's in Pittsburg County.

The median family income (MFI) for Pittsburg County is \$31,901. This income figure is used to determine the income level of individual BNA's. The 2003 Department of Housing and Urban Development (HUD) estimated statewide MFI for non-metropolitan statistical areas is \$39,400. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

The bank's primary trade area is Pittsburg County. Major employers in the county include defense, retail, a penitentiary, health care and social services, and manufacturing. The economy of Pittsburg County is stable. The current unemployment rate for the county of Pittsburg is 7.2%. The unemployment rate for the state is 5.3% and the national rate is 5.6%.

Hughes County

Hughes County, Oklahoma is adjacent to Pittsburg County to the west. Holdenville serves as the county seat. The 2000 U.S. Census reports a population for Hughes County of 14,154 and 4,732 for Holdenville. There are five BNA's in Hughes County.

The current unemployment rate for Hughes County is 7.6%. Major employers are centered in retail, health care, and social services. The MFI for Hughes County is \$32,131. The 2003 HUD estimated statewide MFI for non-MSA is \$39,400.

Seminole County

Seminole County is adjacent to Hughes County to the west. There are seven BNA's in Seminole County. The 2000 U.S. Census data reflects total population for the county to be 24,894. The MFI for Seminole County is \$31,061 and the 2003 HUD estimated statewide MFI for non-MSA is \$39,400. The unemployment rate for the county is 8.6%. Primary industries are manufacturing, retail trade, health care, and social services.

Pottawatomie County

Pottawatomie County is adjacent to Hughes County to the west. Shawnee serves as the county seat. U.S. Census data reflected a population of 65,521 for Pottawatomie County. The bank's branch is located in Maud. Maud is on the border between Seminole and Pottawatomie Counties and is located in census tract #5012.01. Pottawatomie County is part of the Oklahoma City Metropolitan Statistical Area (MSA 5880). Maud is a small community with a 2000 U.S. Census population of 1,136. Census tract #5012.01 reports a population of 1,863.

The MFI for Pottawatomie County is \$37,808 and the 2003 HUD estimated MFI for MSA's is

\$51,100. The unemployment rate for the county is 5.7%. Major employers in Maud include education and nursing care.

Payne County

Payne County is located in north central Oklahoma. Stillwater is the county seat. The 2000 population of Payne County is 68,190. Stillwater reports a population of 39,065. There is a total of fourteen BNA's in Payne County. The bank has two branches in Stillwater. The MFI for Payne County is \$40,300 and the HUD MFI for 2003 is \$39,400.

The economy is stable. Currently, the unemployment rate for the county is 4.8%. Oklahoma State University is the largest employer in the county. Other major employment is centered in the industries of retail trade, manufacturing, health, and social services.

COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we contacted a realtor in McAlester. Based on information from this contact, there is a need for quality affordable housing. There is no new construction development for affordable housing in the price range of 40M to 60M. All new home construction is typically in excess of 100M. The realtor indicated that there is an inventory of existing, older homes that are affordable. However, most are in need of significant repairs and improvements and would not pass safety inspections. Therefore, banks are unable to lend for these types of homes. Additionally, the realtor stated that the local banks could increase home ownership by offering a lending program whereby first time homebuyers could qualify for home purchase.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

TBNA's LTD ratio meets the standard for satisfactory performance given the bank's size, financial condition, and considering the credit needs of the assessment area. Additionally, TBNA's LTD ratio is reasonable in comparison to peer banks. Since the September 8, 1998 Performance Evaluation, the bank's LTD ratio averaged 71.67%. Over the same time period, the bank's competitor's had an average LTD ratio of 75.66%. The peer group consists of the subject bank and four other commercial banks operating within the assessment area.

Lending in Assessment Area

A substantial majority of loans originated in the AA, based on an analysis of loans made since January 1, 2002. The bank's primary lending focus is residential real estate, commercial, and consumer loan products. The table below reflects the number and dollar amount of loans originated within and outside of the assessment area. Since January 1, 2002, 93% of the number of loans and 88% of the dollar level of loans are in the bank's AA. Management originated a large percentage of these loans in Pittsburg, Payne, and Hughes counties.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total Reviewed	4,526	93	102,222	88	341	7	13,939	12

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

Recent lending patterns indicate a satisfactory distribution of loans among applicants of different income levels and businesses and farms of different sizes. We reviewed 120 residential real estate loans, 20 consumer loans, and 20 business loans originated since 1/1/2002 within the assessment area to reach our conclusions. Although our limited sample of small business loans revealed that parity was not achieved in lending to businesses with less than 1MM in revenues, the bank demonstrates a satisfactory performance. Additional information provided by management indicated a larger amount of small business lending activity. Management's internal tracking report reflected that Maud, which is located in Pottawatomie County and a moderate census tract, reported 93% of businesses with revenues less than 1MM. For this area, TBNA made 95% of the number and 84% of the dollar volume to businesses with revenues less than 1MM. In Payne County, 90% of all businesses had revenues of 1MM or less while TBNA made 81% of the number and 73% of the dollar volume of loans to businesses with revenues less than 1MM. The following tables illustrate TBNA's loan distribution practices by income group and loan type.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21		17		21		41	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002 sample	0	0	35	25	10	9	55	66
2003 sample	17	13	32	26	16	17	35	44

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	27		16		18		39	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002 sample	5	5	20	8	50	37	25	50
2003 sample	10	3	25	15	25	28	40	54

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93	7
% of Bank Loans in AA # (2002)	84	16
% of Bank Loans in AA \$ (2002)	89	11
% of Bank Loans in AA # (2003)	60	40
% of Bank Loans in AA \$ (2003)	54	46

Geographic Distribution of Loans

The geographic distribution of residential real estate and consumer loans reflects a reasonable dispersion throughout the assessment area. For small business lending, our sample reflected no penetration in low-to-moderate BNA's. However, additional information provided by management reflected some small business lending activity in these areas. In Maud, which is located in Pottawatomie County and a moderate census tract, 35% of all businesses are located in this census tract. TBNA made 18% by number of loans to small businesses in this census tract. In Payne County, 10% of all small business loans are in low-income geographies. TBNA made 6% by number and 7% by dollar volume of small business loans in low income BNA's. Payne County reflects 12% of all small business loans in moderate BNA's. TBNA made 18% by number and 19% by dollar volume of small business loans in moderate income BNA's. The following tables provide a summary of the bank's performance in this area.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		17		60		23	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002 Sample	0	0	30	18	40	31	30	51
2003 Sample	0	0	20	16	65	70	15	14

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	4		19		52		25	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002 Sample	10	10	40	54	25	14	25	22
2003 Sample	0	0	25	32	70	64	5	4

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	5		25		54		16	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002 Sample	5	1	30	12	25	12	40	75
2003 Sample	0	0	0	0	40	18	60	82

Responses to Complaints

TBNA has not received any complaints relevant to CRA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

A fair lending review was performed as of June 30, 1998 to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) – *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of the ECOA.