



PUBLIC DISCLOSURE

September 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank, National Association
Charter No. 13770

2nd and Carl Albert Parkway
McAlester, Oklahoma 74502

Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394

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, National Association** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 8, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

The conclusion is based on the following:

- ▶ The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the assessment area credit needs.
- ▶ A substantial majority of loans are made in the assessment area.
- ▶ The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area.
- ▶ The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

The following table indicates the performance level of **The Bank, National Association** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Bank, N.A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	✓		
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		✓	
Geographic Distribution of Loans		✓	
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

The Bank, National Association (The Bank) is headquartered in McAlester, Oklahoma (Pittsburg County) and operates offices in four separate counties in southeast Oklahoma. As of June 30, 1998, The Bank reported total assets of \$251 million. In addition to the main office located in McAlester, there are branches in Maud (Pottawatomie County), Holdenville (Hughes County), and Stillwater (Payne County). In total, The Bank has 5 banking offices, two drive-in facilities, and fifteen automated teller machines (ATMs). The Bank, N.A. offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment area. The Bank, N.A. is a wholly owned subsidiary of NBM Corporation, a one-bank holding company. NBM Corporation reported total assets of \$247 million at June 30, 1998.

The bank's primary business focus is retail (residential mortgages and consumer) and small business. The Bank, N.A. offers a variety of loan products including residential mortgages, home improvement, agricultural, commercial, and consumer loans. The loan portfolio composition as of June 30, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	\$55,111	37%
Commercial	35,089	23%
Installment	32,113	21%
Commercial Real Estate	19,172	13%
Agriculture & Farmland	9,191	6%
TOTAL	\$150,676	100%

Source: June 30, 1998 Call Report.

Pittsburg County has a total of six financial institutions of which five are located in McAlester and one in Quinton. The Bank's competition in McAlester includes two banks based in McAlester (one federally-chartered and one state-chartered), and branches of a savings association, a federally-chartered regional bank, and a state-chartered bank. There is a state-chartered bank in Quinton, and it is the only bank in the city. Quinton is located in the northeastern part of Pittsburg County, approximately 27 miles from McAlester. Based on information compiled by the FDIC, First National Bank & Trust Company of McAlester and The Bank, N.A. had 58% and 25%,

respectively, of deposits in the market as of June 30, 1997.

There are no financial constraints that inhibit The Bank from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

The Bank’s assessment area (AA) is defined as all of Pittsburg, Hughes, and Payne Counties, and Block Numbering Area (BNA) 9837 in Seminole County, and Census Tract (CT) 5012.01 in Pottawatomie County. The following table shows the income distribution of BNAs/CTs and families that comprise the bank’s AA.

Income Distribution of BNAs/CTs and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
BNA/CT		Families		BNA/CT		Families		BNA/CT		Families		BNA/CT		Families	
1	3%	6,625	21%	6	18%	5,432	18%	16	47%	5,810	19%	11	27%	13,088	32%

Source: 1990 U.S. Census.

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 18,900. Pittsburg County reports a population of 40,581 based on 1990 U.S. Census data. There are 13 BNAs in Pittsburg County.

The median family income (MFI) for Pittsburg County is \$24,139. This income figure is used to determine the income level of individual BNA’s. The 1997 Department of Housing and Urban Development (HUD) estimated statewide MFI for non-metropolitan statistical areas is \$30,800. 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, medical, and government. The 1990 Business Demographic Data reports 32 farms and 1,095 businesses in Pittsburg County of which 32 (100%) farms and 836 (76%) businesses have gross annual revenues less than \$1 million.

The economy of Pittsburg County is stable. The 1997 unemployment rate for the county is 7.5%. The unemployment rate for the state is 4.1%, and the national unemployment rate is 5.0%.

Hughes County

Hughes County, Oklahoma is adjacent to Pittsburg County to the west. Holdenville serves as the county seat. The 1990 U.S. Census reports a population for Hughes County of 13,023 and 4,792 for Holdenville. There are 5 BNAs in Hughes County.

The 1997 unemployment rate for Hughes County is reported at 7.2%. Major employers are centered in services and retail trade. Based on 1990 Business Demographic Data, there are 16 farms and 59 businesses, of which 14 farms (88%) and 284 businesses (79%) report gross annual revenues less than \$1 million.

The MFI for Hughes County is \$24,139. The 1997 HUD estimated statewide MFI for non-MSAs is \$30,800.

Seminole County - BNA #9837

Seminole County is adjacent to Hughes County to the west. BNA #9837 is located on the extreme western edge of Seminole County, bordering Pottawatomie County. According to 1990 U.S. Census data, BNA #9837 consists of Seminole South Division, Bowlegs Township, and Maud City. The 1990 population of BNA #9837 is reported at 2,109. The MFI and HUD estimated statewide MFI for Seminole County is the same as noted above for Pittsburg and Hughes Counties.

BNA #9837 shows 12 businesses, of which 7 or 58% report gross annual revenues less than \$1 million. There are no farms reported in this BNA.

Pottawatomie County - CT #5012.01

Pottawatomie County is adjacent to Hughes County to the west. The Bank's branch is located in Maud. Maud is on the border between Seminole and Pottawatomie Counties and is located in CT 5012.01. Pottawatomie County is part of the Oklahoma City Metropolitan Statistical Area (MSA 5880). Maud is a small community with a 1990 U.S. Census population of 1,204. Maud represents approximately 2% of the population of Pottawatomie County. CT #5012.01 reports a population of 1,934.

The MFI for Pottawatomie County is \$32,406 and the 1997 HUD estimated MFI for MSA's is \$40,800. Major employers in Maud include education and nursing care. CT

#5012.01 has 3 farms and 36 businesses, of which 3 farms (100%) and 26 businesses (72%) report gross annual revenues less than \$1 million.

Payne County

Payne County is located in north central Oklahoma. Stillwater is the county seat. The 1990 population of Payne County is 61,507. Stillwater reports a population of 36,676. There is a total of 14 BNAs in Payne County. The Bank has two branches in Stillwater. The MFI and HUD MFI is the same as noted previously for Pittsburg, Hughes, and Seminole Counties.

The economy is stable. Payne County's 1997 unemployment rate is reported at 1.9%. U.S. Business Demographic Data shows 50 farms and 2,078 businesses for Payne County, of which 46 farms (92%) and 1,618 businesses (78%) reported gross annual revenues less than \$1 million. Major employers include Oklahoma State University and a boat engine manufacturer.

Community Contact

Information about community needs was obtained from a realtor in McAlester. Based on information from this contact, the primary need in the community is clean, affordable housing for home ownership and rental property. The contact stated that most builders cannot cost justify building homes in the \$40,000 to \$60,000 price range. The contact also stated that there needs to be an aggressive lending program by local banks and government agencies (local, state, and federal) whereby first-time home buyers can purchase homes that do not meet the secondary market requirements. A lot of older and vacant housing in the McAlester area and elsewhere in Pittsburg County could be rehabilitated into decent, affordable housing, but would not pass the stringent standards for secondary market loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

A sample of 104 loans was used to determine the bank's lending performance in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and geographic distribution of loans. The sample represents 10% of originations and consists of 44 residential real estate loans, 42 commercial loans, and 18 agriculture loans. Residential loans were originated in 1997 and were reported on The Bank's 1997 Home Mortgage Disclosure Act (HMDA) report. The commercial and agriculture loans originated between September 1, 1997 and August 31, 1998.

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 74% for the 13 quarters from June 30, 1995 to June 30, 1998, and has ranged from a peak of 82% on September 30, 1995 to a low of 67% on June 30, 1998. The Bank, N.A. is the second largest bank in terms of total assets, but has had the highest quarterly and current L/D ratio among banks based in Pittsburg County. The L/D ratio has declined since the March 1995 evaluation due primarily to a decrease in indirect automobile loans. The following table shows total assets (as of June 30, 1998) and the average loan-to-deposit ratio from June 30, 1995 to June 30, 1998.

Institution	County Location	Total Assets (Millions)	Avg. L/D Ratio
The Bank, N.A.	McAlester	\$251	74%
First National Bank	McAlester	\$431	45%
The Farmers State Bank	Quinton	\$43	55%

Lending in Assessment Area

A substantial majority of loans originated in the AA, based on a review of the loan samples used in this evaluation. Of the sample of residential real estate loans, 91% of the number of loans (40 of 44) and of total loan dollars (\$1,346,000 of \$1,483,000) were made in the AA. And out of 60 business and agriculture loans which originated from September 1, 1997 through August 31, 1998, 51 of 60 (85%) were made in the AA. By dollar volume, the sample of business and agriculture loans totaled \$978,326 of which \$841,885 or 86% were made in the AA.

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

Residential Real Estate Loans

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area. The following table shows the distribution by borrower income levels of the number and dollar volume of residential real estate loans originated in 1997.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	6,625	21%	5,432	18%	5,810	19%	13,088	42%
Number of Loans	5	12%	4	10%	9	23%	22	55%
Dollar Volume	\$75,000	6%	\$70,000	6%	\$235,000	20%	\$789,000	68%

Source: 1990 U.S. Census data and bank data.

Small Business and Small Farm Loans

The Bank, N.A. has a satisfactory record of making loans to businesses and farms of different sizes. Out of 51 loans, 49 or 96% were made to small businesses and farms with gross annual revenues less than or equal to \$1 million. The dollar volumes of small business and farm loans made in the AA total \$948,462 of which \$748,382 or 79% were made to small businesses and small farms with gross annual revenues less than or equal to \$1 million. In terms of loan size, the two largest loans in the sample approximated \$100,000. The majority of loans sampled were less than \$75,000.

Geographic Distribution of Loans

Residential Real Estate Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA, based on the sample used in this evaluation,. There is one low-income tract in the AA: BNA #104 in Payne County. BNA #104 is in the city limits of Stillwater, and The Bank has two branches in Stillwater. The sample does not show any loans originated in BNA #104; however, this may not be indicative of the 367 loans originated in 1997. The table below shows the geographic distribution of residential

real estate loans made in the assessment area by CT/BNA.

Distribution of Loans in Assessment Area by Census Tract/BNA								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract Characteristics	1	3%	6	18%	16	47%	11	32%
Number of Loans	0	0%	8	20%	20	50%	12	30%
Dollar Volume	\$0	0%	\$104,000	8%	\$908,000	67%	\$334,000	25%

Source: 1990 U.S. Census data and bank data.

Business and Agriculture Loans

A review of business and farm loans reflects a reasonable penetration throughout the AA. The table below shows the distribution of loans sampled.

Distribution of Loans in Assessment Area by Census Tract/BNA								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract Characteristics	1	3%	6	18%	16	47%	11	32%
Number of Loans	1	2%	12	23%	29	57%	9	18%
Dollar Volume	\$100,020	12%	\$177,906	21%	\$452,175	54%	\$111,784	13%

Source: 1990 U.S. Census data and bank data.

Response to Complaints

The Bank, N.A. has not received any complaints regarding its performance in meeting assessment area credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA performance. The sample criteria was first purchase/refinanced residential real estate loans. We reviewed 20 approved loans to White applicants and 5 denied applications of Black applicants. No evidence of discrimination or disparate treatment was noted during this review.