



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Tulsa National Bank
Charter Number 18427**

**7120 South Lewis
Tulsa, OK 74136**

**Comptroller of the Currency
Eastern Oklahoma Field Office
7134 South Yale, Executive Ctr. Bldg., 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.

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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 CRA performance of **Tulsa National Bank, Tulsa, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 22, 2003**. 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.*

Note: Throughout this evaluation, Tulsa National Bank will be referred to as "TNB."

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

- TNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- TNB's LTD ratio is satisfactory. Since the January 12, 1998 Performance Evaluation, the bank's LTD ratio averaged 81.77%. Over the same time period, the bank's competitor's had an average LTD ratio of 77.42%.
- TNB generates a 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.

The following pages further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Tulsa National Bank (TNB) is a \$144 million community bank located in Tulsa, Oklahoma. TNB is a wholly owned subsidiary of Tulsa National Bancshares, Inc., a one-bank holding company. The bank was established in 1984 and serves the community with a main office and attached drive-thru facility located in south-central Tulsa, a proprietary drive-thru automated teller machine (ATM) located on the premises of the main bank, and two cash dispensing machines located within one mile of the main banking facility. The bank does not operate any branches or own any other proprietary ATM, but is a member of the Transfund network that provides customers with free access to ATM services.

TNB's lending strategy primarily focuses on small business, commercial real estate, and 1-4 family residential loans. As of March 31, 2003, the bank's LTD ratio was 96% compared to peer bank at 79%. In addition, the loan portfolio represents 71% of total assets and consists of the following loan types:

Loan Category	\$ (000)	%
Construction and Land Development	27,090	27%
Commercial Real Estate	25,226	25%
Commercial and Industrial	21,169	21%
1-4 Family Residential	24,640	24%
Consumer	3,615	3%
Other	380	0%
Total	102,120	100.00%

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

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall Satisfactory rating for the last CRA Public Evaluation dated January 12, 1998.

DESCRIPTION OF ASSESSMENT AREA

TNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. TNB's assessment area consists of 90 census tracts located predominately in Tulsa County, although management added two tracts from Creek County since the last CRA evaluation. In aggregate management added 21 census tracts since the last evaluation, and four are moderate-income tracts. The assessment area includes two low, eleven moderate, thirty-five middle, and forty-two upper-income level census tracts. All tracts are fully contained within the Tulsa Metropolitan Statistical Area. TNB's main office is located in a moderate-income census tract.

Local banking competition is strong and includes several other national and state chartered banks, or branches of financial institutions whose main bank is located outside of the assessment area. There are also several other non-bank entities with an active presence in the assessment area. According to June 30, 2003 market share information from the Federal Deposit Insurance Corporation, TNB's market share of deposits is consistent with primary competitors.

The local economy has slowed significantly since the last evaluation. In March 2003, the Tulsa

County unemployment rate was 6.1%, compared to the entire state average of 5.1%. The local economy has been negatively impacted by work force reductions at WorldCom, Williams Communications Group, Commercial Financial Services, Sabre Holdings Group, and Boeing. Financial stress is also evident in the budgets of the city of Tulsa and Tulsa Public Schools.

Major employers in the area include American Airlines, Hillcrest Medical Center, St. John Medical Center, St. Francis Hospital, NORDAM Group, Citgo Petroleum Corporation, and Tulsa Public Schools. The following table describes the demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Total Population	306,431
Number of Families	84,020
% of low income families	15%
% of moderate income families	14%
% of middle income families	20%
% of upper income families	51%
Number of Households (HH)	126,838
% of HH in low income tracts	2%
% of HH in moderate income tracts	13%
% of HH in middle income tracts	43%
% of HH in upper income tracts	42%
<i>Geographies</i>	
Number of Census Tracts	90
% Low-Income Census Tracts	2%
% Moderate-Income Census Tracts	12%
% Middle-Income Census Tracts	39%
% Upper-Income Census Tracts	47%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	32,578
2000 HUD-Adjusted MFI	46,900
<i>Economic Indicators and Other Demographic Data</i>	
Unemployment Rate (1)	6.1%
2000 Median Housing Value	78,291
% of HH Below Poverty Level	10%
% of HH receiving public assistance	3%

Source: 1990 Census Data, United States Bureau of the Census

(1) Source: United States Department of Labor, Bureau of Labor Statistics

COMMUNITY CONTACT

To better understand the general needs of citizens residing within the assessment area, we

reviewed several community contacts with various organizations. Based on the information obtained, there is a need for affordable housing in low- and moderate-income areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

TNB'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, TNB's LTD ratio is in line with that of peer banks. Since the January 12, 1998 Performance Evaluation, the bank's LTD ratio averaged 81.77%. Over the same time period, the bank's competitor's had an average LTD ratio of 77.42%.

Lending in Assessment Area

A majority of TNB's loans were originated within the assessment area. Our sample was comprised of residential real estate and small business loans. Based on our loan sample, approximately 57% of the total number of loans reviewed and 58% of the dollar amount of loans reviewed were originated within the assessment area. The following table illustrates the location of each product type by number of loans and by dollar amount of loans.

TOTAL LOANS REVIEWED (Evaluation Period 1/01/02 to 7/31/03)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Business Loans	21	72.41	3,917	86.37	8	27.59	618	13.63
Real Estate Loans	20	46.51	3,521	42.18	23	53.49	4,826	57.82
Totals	41	56.94	7,438	57.74	31	43.06	5,444	42.26

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

As captioned below, the number of residential real estate loans to low- and moderate-income families was lower than the percentage of low- and moderate-income families in the assessment area. The bank's assessment area includes portions of the Tulsa Metropolitan Statistical Area. There are numerous financial institutions competing for the market share of residential home purchase, home refinancing, and home improvement loan products. Tulsa National Bank's overall market share for these three lines of business were 0.03%, 0.06%, and 0.20%, respectively. Also, approximately 10% of the households in the bank's assessment area are below the poverty level.

RESIDENTIAL REAL ESTATE (Evaluation Period 1/01/02 to 7/31/03)				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Families ¹	14.67	14.63	20.00	50.69
Residential Real Estate Loan Sampled	% of Number	% of Number	% of Number	% of Number
	5.00	10.00	10.00%	75.00%

(1) - Based on 1990 U.S. Census Data

Although our 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. The bank has been in operation since 1984 and only has one location. The bank's core customer base is primarily comprised of existing customers, many of which have operating revenues in excess of 1MM. Additionally, management indicated that growth is primarily achieved through referrals from existing customers and the bank does not aggressively market its loan products.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	90.29%	9.71%
% of Bank Loans in AA #	57.14%	42.86%

(3) - Based on 1990 U.S. Census Data

Geographic Distribution of Loans

The geographic distribution of residential real estate loans reflects reasonable penetration throughout the assessment area. Low-income census tracts comprise just 2% of the bank's assessment area. Based on our judgmental sample, TNB did not originate any residential real estate loans in low-income census tracts. There are only two low-income census tracts out of the ninety census tracts in the bank's assessment area. Owner occupied units comprise 0.26% of the housing stock in the low-income census tracts. Our judgmental sample revealed that 10% of the loans were originated in moderate-income census tracts. Owner occupied units comprise 8.2% of the housing stock in the moderate-income census tracts.

RESIDENTIAL REAL ESTATE (Evaluation Period 1/1/02 to 7/31/03)				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Owner Occupied	0.26	8.20	42.22	49.32
LOANS BY PRODUCT	% of Number	% of Number	% of Number	% of Number
Residential Real Estate	0.00	10.00	15.00	75.00

The geographic distribution of small business loans meets the standard for satisfactory performance. Only 2% of the small businesses are situated in low-income census tracts. Based on our sample, TNB did not have any small business loans in low-income census tracts. Fourteen percent of the small business loans in our sample were originated in moderate-income census tracts. Twelve percent of the small businesses in the assessment area are situated in moderate-income census tracts.

BUSINESS LOANS (Evaluation Period 1/1/02 to 7/31/03)				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Businesses	2.00%	12.00%	38.00%	46.00%
LOANS BY PRODUCT	% of Number	% of Number	% of Number	% of Number
Small Business	0.00%	14.00%	29.00%	57.14%

Responses to Complaints

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

Fair Lending Review

A fair lending review was performed as of January 12, 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.