



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 11, 2012

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

Executive Center Building
7134 South Yale, Suite 910
Tulsa, OK 74136-6360

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

This institution is rated Satisfactory.

The major factors supporting the institution's rating include the following:

- A majority of the bank's loans were originated within the bank's assessment area (AA);
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- The bank's distribution of loans reflects a reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance;
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA and meets the standard for satisfactory performance; and,
- The bank's community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on data from a sample of small business loans and all home mortgage loans originated in 2010 and 2011. Conclusions regarding the Community Development Test are based on community development activities from May 26, 2008 through June 11, 2012.

A Data Integrity examination was conducted in April 2012 to evaluate the bank's policies and processes for compliance with the Community Reinvestment Act (CRA) and its community development activities. We found these processes were effective. 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 \$397 million institution that is headquartered in McAlester, Oklahoma, located in Southeast Oklahoma. The bank has seven locations, all located within the state of Oklahoma and within its AA. TBNA is a subsidiary of NBM Corporation, a one-bank holding company headquartered in McAlester, Oklahoma. The main bank, ATM, and drive-in facility are located at 201 East Carl Albert Parkway, McAlester, Oklahoma. Since the previous CRA evaluation, no bank branches, drive-ins, or ATMs have been opened or closed. The tables below provide information on TBNA's branch and ATM locations.

TBNA's BRANCH LOCATIONS		
Location	Address	City
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	Holdenville
Stillwater Boomer Branch	1020 North Boomer Road	Stillwater
Stillwater Washington Branch	800 West Sixth	Stillwater

TBNA's ATM LOCATIONS		
Location	Address	City
Main Bank Parking Lot	201 East Carl Albert Parkway	McAlester
Main Bank Drive Up	2 nd & Washington	McAlester
Army Ammunition #1	1 C Tree Road	McAlester
Army Ammunition #2	1 C Tree Road	McAlester
Valero	701 South George Nigh Expy	McAlester
McAlester Regional Health	1 Clark Bass Blvd	McAlester
T & C's Gorilla Store	610 South West Highway 270	McAlester
Tandy Town Branch	1706 East Carl Albert Parkway	McAlester
Wal-Mart Branch	432 South George Nigh Expy	McAlester
Washington Branch	800 West 6 th Street	Stillwater
Boomer Branch	1020 North Boomer	Stillwater
Git'N Galups #1	1325 North Perkins Road	Stillwater
Git'N Galups #2	2404 North Perkins Road	Stillwater
Git'N Galups #3	1204 South Main Street	Stillwater
Walk Up ATM	105 S Knoblock	Stillwater
Western St Drive-Up	1305 Western Street	Stillwater
Citgo	1020 North Hinkley	Holdenville
Holdenville Branch	1701 East Highway	Holdenville
Maud Branch	206 West Wanda Jackson Blvd	Maud

The bank's primary focus is to serve commercial and consumer customers located in the AA. TBNA meets these needs by providing various types of loan and deposit products and services,

as well as Internet and Telephone Banking. Additionally, the bank has two ATMs located at the US Army Ammunitions Plant in McAlester, Oklahoma. Bank services are provided Monday through Saturday at the majority of branches. The ability to lend in its AA continues to be impacted by strong competition from a substantial number of other banks and financial institutions or branches of those institutions.

As of March 31, 2012, TBNA's total assets equaled \$397 million, of which \$171 million or 43 percent were comprised of various types of commercial and residential real estate, commercial businesses, and loans to individuals. Specifically, the bank's loan portfolio consists of the following:

LOAN CATEGORY	\$ (000's)	%
Commercial Real Estate	\$71,668	41.90%
1-4 Family Residential Real Estate	\$51,953	30.37%
Commercial and Industrial	\$15,530	9.08%
Consumer Loans	\$12,413	7.26%
Secured by Farmland	\$9,987	5.84%
Construction and Land Development	\$5,454	3.19%
Agricultural Loans	\$3,951	2.31%
Other Loans	\$86	0.05%
Total	\$171,042	100.00%

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. TBNA is involved in and provides support to meet the community's financial needs. The bank received an overall rating of "*Satisfactory*" at the last CRA evaluation dated May 26, 2008.

Description of Assessment Area

The assessment area adopted by TBNA consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

TBNA's AA consists of twenty-six census tracts (CTs) in five different Oklahoma counties: Pittsburg, Hughes, Pottawatomie, Seminole, and Payne County. None of these counties are located in a Metropolitan Statistical Area (MSA). Of the twenty-six CTs in TBNA's AA, one tract is low-income, five tracts are moderate-income, thirteen tracts are middle-income, and seven tracts are upper-income.

Pittsburg County

Pittsburg County is located in Southeastern Oklahoma. The main bank and two bank branches are located in McAlester, which is the county seat. Eleven CT's in the county are included in the bank's AA. Two tracts are moderate-income, seven are middle-income, and two are upper-income. Major employers include the Army Ammunitions Plant and the Oklahoma State Penitentiary

Hughes County

Hughes County is located in Southeastern Oklahoma. One of the bank's branches is located in Holdenville, which is the county seat. Two CT's in the county are included in the bank's AA. One tract is moderate-income and the other is a distressed middle-income CT.

Pottawatomie County

Pottawatomie County is located in Central Oklahoma. Shawnee is the county seat. One CT in the county is included in the bank's AA due to the bank's Maud, Oklahoma branch, which is located between Pottawatomie and Seminole Counties. The one CT is middle-income.

Seminole County

Seminole County is located in Central Oklahoma. One CT in the county is included in the bank's AA and is a distressed middle-income CT.

Payne County

Payne County is located in Northern Oklahoma. Two bank branches are located in Stillwater, which is the county seat. Eleven CT's in the county are included in the bank's AA. These tracts include the bank's only low-income tract along with two moderate-income, three distressed middle-income, and five upper-income CTs. Major employers are centered in education and medical services.

The following table describes major demographic and economic characteristics of the AA, based on 2000 U.S. Census data.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	24,784
Number of Households	40,154
Geographies	
Number of Census Tracts/BNA	26
% Low-Income Census Tracts/BNA	3.85%
% Moderate-Income Census Tracts/BNA	19.23%
% Middle-Income Census Tracts/BNA	50.00%
% Upper-Income Census Tracts/BNA	26.92%
Median Family Income (MFI)	
2000 MFI for AA	\$35,517
2011 HUD-Adjusted MFI	\$47,200
Economic Indicators	
Unemployment Rate	3.4%
2000 Median Housing Value	\$66,209
% Of Households Below Poverty Level	21.43%

According to the 2000 U.S. Census Data, TBNA’s AA has a population of 103,149 people. Of the 24,784 families, 19 percent are low-income families and 16 percent are moderate-income families. The AA contains 44,762 housing units with 25 thousand or 56 percent being owner occupied. Households below the poverty level are 21 percent and households that receive public assistance total 5 percent. The local economy is stable and unemployment continues to be below state and national levels.

The community credit needs and business opportunities are also served by several other national and state chartered banks, as well as branches of those institutions, which are located in the AA. The community contact confirmed banking in the bank’s AA is very competitive and credit needs are generally met.

A community contact was conducted during the examination to help ascertain the credit needs of the AA. The contact felt that the economy of Oklahoma appears to be improving. Low credit scores are a problem, but also seem to be improving. According to the contact, there is a need for housing assistance and small business assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's performance under the Lending Test is rated "*Satisfactory*". This Performance Evaluation assesses TBNA's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate TBNA's lending performance, the major loan products offered by the bank were evaluated. A random sample of 50 small business loans and all 445 home mortgage loans that originated from January 1, 2010 through December 31, 2011 were selected. Based on the analysis and consistent with available resources and capabilities, TBNA is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

TBNA's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's LTD ratio as of March 31, 2012 was 47 percent. The bank's average quarterly LTD ratio from June 30, 2008 through March 31, 2012 was 59 percent. This average was compared to the average of four similar banks located in TBNA's AA or in the surrounding counties, with total assets between \$200 million and \$500 million, for the same time period. These average LTD ratios are listed in the following table.

LOAN-TO-DEPOSIT RATIOS		
Institution	Total Assets as of 3/31/12 (000's)	Average LTD Ratio
<i>The Bank National Association McAlester, OK</i>	\$396,547	59.29%
Citizens Bank of Ada, Ada, OK	\$225,976	83.03%
Shamrock Bank, National Association, Coalgate, OK	\$264,213	55.88%
First National Bank & Trust Company of McAlester, OK	\$476,583	51.35%
First National Bank & Trust Company, Shawnee, OK	\$232,035	51.19%

Source: Institution Reports of Condition from June 30, 2008 to March 31, 2012

TBNA's LTD ratio is slightly lower than the average of the four comparable banks of 60 percent. This average is skewed by Citizens Bank of Ada's average LTD of 83 percent. TBNA's LTD ratio is higher than the other three banks listed. Not reflected in the bank's LTD ratio are the 186 1-4 family residential real estate loans originated between 2009 and 2011 that were sold to the secondary market. These loans totaled \$23 million.

Lending in Assessment Area

TBNA’s lending in its AA demonstrates satisfactory performance. A majority of the number of home mortgage and small business loans were originated within the bank’s AA. As depicted in the table below, 75.76 percent of the number and 77.29 percent of the dollar amount of loans were originated in TBNA’s AA.

LENDING IN AA										
	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
Loan Type	#	%	#	%		\$	%	\$	%	
Residential Real Estate	337	75.73%	108	24.27%	445	\$20,213	76.11%	\$6,345	23.89%	\$26,558
Small Business	38	76.00%	12	24.00%	50	\$2,978	86.39%	\$469	13.61%	\$3,447
Totals	375	75.76%	120	24.24%	495	\$23,191	77.29%	\$6,814	22.71%	\$30,005

Source: Loan Samples.

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

TBNA’s borrower distribution of home mortgage and small business loans in the AA is reasonable and meets the standard for satisfactory performance.

The bank’s distribution of home mortgage loans is satisfactory. The percentage of home mortgage loans to low- and moderate-income borrowers is less than the percentage of low- and moderate- income families in the AA. This performance is reasonable in light of the fact that these families have a difficult time qualifying for conventional home mortgage products.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Mortgage	19.08%	10.09%	16.16%	12.17%	21.05%	21.66%	43.71%	56.08%

Source: Loan sample; U.S. Census data.

The bank’s borrower distribution to businesses with revenues of \$1 million or less is excellent. The percentage of bank loans by number and dollar volume exceed the percentage of reporting businesses with revenues of \$1 million or less in the AA. Note that 23.19 percent of the businesses in the AA did not report income data.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.44%	3.37%	23.19%	100%
% of Bank Loans in AA by #	94.74%	5.26%	0.00%	100%
% of Bank Loans in AA by \$	90.59%	9.41%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

TBNA’s geographic distribution of small business and home mortgage loans in TBNA’s AA is reasonable and meets the standard for satisfactory performance. There is one low-income and five moderate-income CTs in TBNA’s AA, representing 23.08 percent of the tracts in the AA. The low-income tract and two of the moderate-income tracts are located in Stillwater, Oklahoma, near the Oklahoma State University campus. TBNA has a limited market share in Stillwater due to the number of financial institutions serving the area. Two of the three remaining moderate-income tracts are located in McAlester and the other is in Holdenville. The Holdenville branch is a small rural branch with limited small business activity.

The geographic distribution of small business loans reflects a poor dispersion. The distribution of business loans located in moderate-income CTs was 2.63 percent compared to the 13.37 percent of small businesses located in those tracts. However, this is mitigated by the location of the moderate-income tracts in the AA as noted above.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Small Business Loans	5.67%	0.0%	13.37%	2.63%	51.40%	68.42%	29.56%	28.95%

Source: Loan sample; Dunn and Bradstreet data.

The geographic distribution of home mortgage loans is excellent. The bank’s percentage of home mortgage loans extended to low-and moderate-income tracts exceeded the percent of owner occupied housing in those tracts. Opportunities to lend in the low-income CT are limited in that the tract is comprised of the college campus and less than one percent of housing in that tract is owner occupied.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA								
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
Home Mortgage	0.62%	1.19%	8.34%	11.57%	57.52%	60.24%	33.52%	27.00%

Source: Loan sample; U.S. Census data.

Responses to Complaints

There have been no consumer complaints regarding the bank’s Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

CD Loans, Qualified Investments, and CD Services Test

The bank's performance under the Community Development Test is rated "*Satisfactory*". TBNA's community development performance demonstrates adequate responsiveness to the community development needs of its AA.

Opportunities for qualified community development loans and investments are limited in the bank's AA. A majority of the AA is comprised of rural, low-density areas. The largest cities in the AA are Stillwater and McAlester, Oklahoma, which have populations of 46 thousand and 18 thousand, respectively. Currently, there are no major community development projects underway in the bank's AA.

TBNA is active in the communities they serve. This is evidenced by their leadership roles in various civic and non-profit organizations that provide services to low- and moderate-income individuals. The bank is also involved with, invests in, or lends to organizations whose focus is on community or economic development. The bank has also been active in providing loans that provide affordable housing or economic development.

Community Development Loans

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

The bank has originated or renewed 140 community development loans totaling \$8.2 million during the evaluation period. Six loans totaling \$1.7 million provided multi-family affordable housing. Further, the bank extended 121 loans during the evaluation period for affordable single-family housing. The bank participated in a \$2.5 million loan for economic development to help create new jobs, as well as, several loans to businesses located in the historic downtown area that have helped to revitalize the area in accordance with the McAlester Main Street Revitalization Program.

TBNA originated a loan for \$846 thousand to purchase a 48 unit apartment complex located in McAlester, Oklahoma. Another loan for \$170 thousand was extended to the same borrower for renovation expenses. Rents are affordable and range from \$500 to \$550 per month. A majority of the tenants receive government rent assistance. TBNA originated a loan for \$216 thousand to purchase and renovate a 16-unit apartment complex in Krebs, Oklahoma. Rents are affordable at \$500 to \$550 per month. A majority of the tenants receive government rent assistance.

TBNA extended loans to a real estate investor for \$189 thousand and for \$139 thousand originally for the purchase of two mobile home parks. Another loan was extended to this borrower for \$151 thousand to purchase duplexes. Both of the mobile home parks and duplexes are located in Krebs, Oklahoma. Rents are affordable on all three properties and range from \$400 to \$600 per month. The landlord accepts government and rent assistance programs.

TBNA participated \$489 thousand in a \$2.5 million loan with two other local financial institutions to provide funding for the purchase and renovation of a vacant building for a new business to relocate to McAlester. This business is an oil and gas service company and was recruited by a local economic development group. Fifty-five to seventy-five new jobs will initially be created primarily for low- and moderate-income individuals with upwards of 125 total jobs expected.

The bank originated a loan for \$51 thousand as a start up loan for a day care. Approximately ten low- to moderate-income jobs were created and over 90 percent of the clients are assisted by the Oklahoma Department of Human Services or Choctaw Nation childcare programs.

The bank originated a loan for \$200 thousand to restore a dilapidated building in the historic downtown of McAlester. Most of the area is designated within the city's downtown revitalization program to revitalize and draw new businesses to the historic downtown area.

TBNA has made 10 loans totaling \$1.6 million during the evaluation period to various businesses located in the historic downtown area designated for revitalization under the McAlester Main Street Program. These loans have brought new businesses to the downtown area and provided renovation, inventory and working capital financing.

From January 2009 through December 2011, the bank originated or renewed 121 loans totaling \$4.1 million to provide financing for single-family residences of less than \$75 thousand. These properties were purchased by investors who provide affordable single-family rental properties. This funding has provided a significant amount of affordable single-family housing in the area.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation.

During the evaluation period, the bank made numerous investments in local school bonds to Title I designated schools most of which are either located in distressed or underserved geographies and/or a majority of the students qualify for free or reduced lunches. TBNA also made numerous qualified donations totaling \$72 thousand. The bulk of the donations are to local nonprofits that support community services that target low- and moderate-income families and individuals and economic and small business development. Specific examples of the bank's more significant investments are described below.

- ***Hughes County, OK ISD #1, #35 and #54***

In June 2008, TBNA purchased 4 different blocks in the Hughes County Independent School District (ISD) #1 Municipal Bond totaling \$1.1 million. Proceeds were used to make improvements to the schools in the district. In November 2011, TBNA purchased 4 different blocks in another Hughes County ISD #54 Municipal Bond totaling \$675 thousand. Proceeds were used to renovate and remodel existing school buildings. In May

2011, TBNA purchased 4 different blocks in the Hughes County ISD #35 Municipal Bond totaling \$500 thousand. Proceeds were used to construct community safe room/classrooms at two elementary schools. The schools in the Hughes County ISD are located in distressed or underserved middle-income geographies. Over 68 percent of the kids attending the Hughes County ISD qualify for free or reduced lunches.

- **Payne County, OK ISD #3**

In June 2010, TBNA purchased 4 different blocks in the Payne County ISD #3 Municipal Bond totaling \$475 thousand. Proceeds were used to construct a new gym and purchase school furniture and fixtures. The Payne County ISD are Title I schools with over 63 percent of the kids attending qualify for free or reduced lunches.

- **Pittsburg County, OK ISD #23, #25, #28, #63 and #88**

In July 2008, TBNA purchased 5 different blocks in the Pittsburg County ISD #25 Municipal Bond totaling \$325 thousand. Proceeds were used to construct, equip, and furnish roofing projects for the school district. In May of 2010, TBNA purchased 8 different blocks in the Pittsburg County ISD #28 Municipal Bond totaling \$600 thousand. Proceeds were used to acquire vehicles for pupil transportation. In June 2008, TBNA purchased 2 different blocks in the Pittsburg County ISD #63 Municipal Bond totaling \$190 thousand. Proceeds were used to upgrade restrooms and dressing rooms throughout the district, upgrade heating and electrical systems, and acquire vehicles for public transportation. In May 2010, TBNA purchased 3 different blocks in the Pittsburg County ISD #88 Municipal Bond totaling \$450 thousand. Proceeds were used to repair roofs district wide, acquire and install heating and air units, and acquire vehicles for pupil transportation. The Pittsburg County ISD is a Title I district with over 65 percent of the student eligible for free or reduced lunches.

- **Holdenville, OK Public Works**

In January 2011, TBN purchased a \$275 thousand block in the above Municipal Bond. The proceeds were used to provide capital improvements for the city of Holdenville. Holdenville is located in a distressed and underserved CT.

Prior period investments include Municipal Bonds, primarily to schools or communities for capital improvements. TBNA has an outstanding balance of \$254 thousand and \$525 thousand in two different blocks in the Holdenville, OK Public Works Municipal Bond for capital improvements to the city of Holdenville. Holdenville is located in a distressed and underserved census tract. TBNA has an outstanding balance of \$660 thousand 12 different blocks of the Hughes County ISD Municipal Bonds. Hughes County ISD schools are located in distressed or underserved CTs with a majority of students qualifying for free or reduced lunches. The bank has an outstanding balance of \$75 thousand in the Pottawatomie County, OK ISD #117 with the proceeds used to acquire and install a new heating and air system. Schools in the Pottawatomie County ISD are Title I schools with over 72 percent of the students qualifying for free or reduced lunches.

Community Development Services

The level of qualified community development services is satisfactory. Bank officers have served in leadership positions on organizations that provide community services to low- and moderate-income families and provided technical expertise and financial assistance to these organizations. Bank officers also serve in leadership positions on organizations that are involved in economic and small business development activities. The following are examples of qualifying community development services.

- ***Holdenville Chamber of Commerce/McAlister Chamber of Commerce/Stillwater Chamber of Commerce/Wetumka Chamber of Commerce***
Bank officers serve on the Board and hold several positions in their respective Chambers of Commerce. All of the Chambers are focused on community development, and attraction and retention of small businesses.
- ***United Way***
Bank officers have served as Board members with United Way Southeast Oklahoma Inc. United Way member agencies provide a variety of social services to low- and moderate-income families in Southeast Oklahoma.
- ***Deep Fork Community Action Agency***
This organization provides assistance with shelters, utilities, and food for low- and moderate-income families from annual grants from FEMA and fund raising events. A bank officer serves on the Board for this organization.
- ***Kiamachi Economic Development District of Oklahoma (KEDDO)***
The organization's objective is improving community life through community and economic development for the people in Southeastern Oklahoma. A bank officer serves as a Board member of this organization.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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