



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 08, 2008**

# **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 **December 8, 2008**. 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 July 22, 2003 Performance Evaluation, the bank's LTD ratio averaged 89.38%. Over the same time period, the bank's peer group reported an average LTD ratio of 84.09%.
- TNB generates a majority of its loans within its defined assessment area.
- Management demonstrates a willingness to originate loans to low- and moderate-income individuals 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 \$184 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. TNB's drive-thru facility includes a lane for a proprietary automated teller machine (ATM). TNB provides three proprietary cash dispensing machines. Two are in the same office complex as the main bank and one is located at the River Walk shopping complex. TNB is a member of the Transfund network that provides customers with free access to ATM services.

TNB's lending strategy focuses on small business, commercial real estate, and 1-4 family residential loans primarily for business purposes. As of September 30, 2008, the bank's loan-to-deposit ratio (LTD) was 90% compared to the peer group average LTD ratio of 88%. In addition, the loan portfolio represents 75% of total assets and consists of the following loan categories:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Construction and Land Development	30,804	22%
Commercial Real Estate	39,817	29%
Commercial and Industrial	26,248	19%
1-4 Family Residential	32,540	24%
Multi-Family Residential	5,712	4%
Consumer	2,833	2%
Other	71	0%
<b>Total</b>	<b>138,025</b>	<b>100.00%</b>

Source: September 31, 2008 Consolidated Report of Condition and Income

There are no legal or financial impediments to prevent the bank from meeting the credit needs of its assessment area. The bank received an overall Satisfactory rating at the most recent evaluation period, dated July 22, 2003.

## **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 110 census tracts located predominately in Tulsa County. The assessment area includes four census tracts in Creek County. The assessment area includes one low, thirteen moderate, thirty-nine middle, and fifty-seven upper-income level census tracts. All tracts are fully contained within the Tulsa Metropolitan Statistical Area. TNB's main office is located in a middle-income census tract.

Local banking competition is strong and includes several 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 TNB's assessment area.

In October 2008, the unemployment rate in Tulsa, Oklahoma was 4.2%, compared to the United

States national unemployment rate of 6.5%. There are thirty-eight companies in Tulsa that employ 1,000 or more individuals. The following table describes the demographic and economic characteristics of the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Total Population	354,719
Number of Families	93,886
% of low income families	14%
% of moderate income families	15%
% of middle income families	20%
% of upper income families	51%
Number of Households (HH)	
Number of Households (HH)	146,924
% of HH in low income tracts	1%
% of HH in moderate income tracts	12%
% of HH in middle income tracts	40%
% of HH in upper income tracts	47%
Geographies	
Number of Census Tracts	110
% Low-Income Census Tracts	1%
% Moderate-Income Census Tracts	12%
% Middle-Income Census Tracts	35%
% Upper-Income Census Tracts	52%
Median Family Income (MFI)	
1990 MFI for AA	45,678
2000 HUD-Adjusted MFI	52,500
Economic Indicators and Other Demographic Data	
Unemployment Rate (1)	6.1%
2000 Median Housing Value	109,822
% of HH Below Poverty Level	9%
% of HH receiving public assistance	3%

Source: 2000 Census Data, United States Bureau of the Census

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

## COMMUNITY CONTACT

We contacted a local civic organization to gain a better understanding of the needs of the citizens residing within the assessment area. The official stated that the banking industry is very competitive and has done a reasonable job of meeting general credit needs in the assessment area, but they have also tightened their credit and collateral standards. However, additional efforts are needed in providing financial assistance to small business owners or start-up companies. Specifically, the official indicated that financial institutions should be more proactive in participating with local organizations that are created to assist in providing funding to small businesses.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

TNB's loan-to-deposit (LTD) ratio meets the standard for satisfactory performance given the bank's size, financial condition, and considering the credit needs of the assessment area. TNB's LTD ratio is in line with that of peer banks. Since the July 22, 2003, Performance Evaluation, the bank's LTD ratio averaged 89.38%. Over the same time period, the bank's peer group had an average LTD ratio of 84.09%.

### **Lending in Assessment Area**

TNB's lending in the AA is strong. The majority of TNB's loans are made within the assessment area. Our analysis determined that 71% (731) of the number and 62% (\$85 million) of the dollar amount of all loans were made within the assessment area. This information was derived from the bank's loan trial balance as of November 18, 2008.

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

#### **Residential Real Estate Loans**

TNB's real estate activity to borrowers of low- and moderate-income designation is reasonable. TNB's niche is small business lending and therefore limited emphasis is placed on retail oriented lending products. During the period reviewed, TNB generated eighty-three home purchase, ten home improvement, and fifty-seven home refinance loans. Of the one-hundred fifty residential real estate loans originated during this period, forty-two or 28% could not be considered under the income analysis due to no income information being included on the Home Mortgage Disclosure Act (HMDA) loan activity register database. Management indicated the reason this information was not available is most likely due to these loans being for business purposes and therefore income information is not required to be reported on the HMDA-LAR report.

TNB's originated just three home purchase loans and no home improvement or home refinance loans to low-income applicants. Low-income applicants comprise 14% of the bank's assessment area. TNB's home purchase originations to moderate-income families exceeded the percentage of moderate-income families in the assessment area. TNB's lending activity for home improvement and home refinance loans was below the percentage of moderate-income families in the assessment area. There is only one low income census tract in the AA.

Residential Real Estate (Evaluation Period: January 1, 2006 to November 30, 2008)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% Of AA Families <sup>1</sup>	13.99		14.94		20.09		50.99	
LOANS BY PRODUCT	% Of Number	% Of Amount						
Home Purchase	7.32	5.25	17.07	9.42	21.95	22.44	53.66	62.90
Home Improvement	0.00	0.00	11.11	6.12	0.00	0.00	88.89	93.88
Home Refinance	0.00	0.00	2.63	0.96	21.05	17.44	76.32	81.60

Source: HMDA information and U.S. Census data.

## **Business Loans**

The distribution of loans to businesses reflects reasonable penetration amongst businesses of different sizes. Based on our sample of construction development loans, 80% were originated to businesses with gross operating revenue less than \$1 million. Year 2000 census data reflects that approximately 90% of the small businesses in the bank's assessment area report gross operating revenue of \$1 million or less.

The following table captions the distribution of limited sample of construction and development loans among businesses of different sizes within the AA:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	90.07%	9.93%
% of Bank Loans in AA #	80.00%	20.00%

(3) - Based on 2000 U.S. Census Data & judgmental loan sample

## **Geographic Distribution of Loans**

### **Residential Real Estate Loans**

TNB has a reasonable penetration of real estate loans over the varying income level census tracts, of the assessment area. As captioned below, TNB had no real estate activity during the period of review in the low-income census tracts of its assessment area. This is considered reasonable since there is only one low-income census tract in the one hundred-ten census tracts that comprise TNB's assessment area.

Geographic Distribution of Loans (Evaluation Period: January 1, 2006 to November 30, 2008)				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of AA Owner Occupied	0.17	7.33	36.20	56.30
Home Purchase	0.00	13.25	40.96	45.78
Home Improvement	0.00	40.00	20.00	40.00
Home Refinance	0.00	7.02	31.58	61.40

Source: HMDA information and U.S. Census data.

As captioned on the preceding page, TNB's real estate activity for home purchase and home

improvement loans exceeds the percentage of owner occupied in the moderate-income census tracts of their assessment area. TNB’s home refinance activity is slightly below the percentage of owner-occupied units in the moderate income census tracts of their assessment area.

**Business Loans**

TNB has a reasonable distribution of construction and development loans over the various income level census tracts of the assessment area. TNB had no penetration in the low-income census tracts due to their being only one low-income tract of the one hundred fifty-one tracts that comprise its assessment area. Based on our limited sample, TNB had no construction and development loans in the moderate-income census tracts of its assessment area.

BUSINESS LOANS (Evaluation Period: January 1, 2006 to November 30, 2008)				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Businesses	0.37%	16.65%	34.76%	48.22%
LOANS BY PRODUCT	% of Number	% of Number	% of Number	% of Number
Construction & Land Development	0.00%	0.00%	10.00%	90.00%

Based on 2000 U.S. Census Data & judgmental loan sample

Bank management provided additional information revealing approximately \$8.3 million in acquisition/rehab loans held for sale or rental units on its balance sheet as of November 29, 2008. Based on a random sample of these loans, it appears that the overwhelming majority (77%) of these loans, originated within the bank’s assessment area, were located in moderate-income census tracts.

**Responses to Complaints**

TNB has not received any complaints regarding their performance in helping to meet assessment area credit needs during this evaluation period.

**Fair Lending Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. A fair lending review was last 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)*