



PUBLIC DISCLOSURE

October 06, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Triad Bank, National Association
Charter Number 17926

7666 East 61st Street
Tulsa, OK 74153

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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 (LMI) 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 COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Satisfactory

The significant factors supporting this rating include the following:

- The loan-to-deposit (LTD) ratio is ***more than reasonable***, and meets the standard for satisfactory performance.
- A ***majority*** of the loans sampled were originated inside the assessment area (AA), and meets the standard for satisfactory performance.
- The distribution of loans reflects a ***reasonable penetration*** of loan originations among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a ***reasonable dispersion*** of loans throughout the AA.
- The bank has not received any consumer complaints regarding CRA performance.

SCOPE OF EXAMINATION

We evaluated Triad Bank, National Association (Triad) using the Small Bank standards for assessing performance. This Performance Evaluation (PE) is based largely on 2010 United States (U.S.) Census data and 2015 business demographic information. Triad's primary loan products include commercial and residential real estate loans. The lending test evaluates the bank's record of meeting the credit needs of its AA, and we assessed Triad's performance under this test using a loan sample comprising 20 business loans, 20 consumer loans, and all residential real estate loans originated from January 2, 2015 through June 30, 2016. Triad is required to report under the Home Mortgage Disclosure Act (HMDA).

DESCRIPTION OF INSTITUTION

Triad is a \$180 million community bank located in Tulsa, Oklahoma. Triad is a wholly owned subsidiary of Triad Bancshares, Inc., a one-bank holding company. Triad was established in 1983 and consists of two banking offices in south Tulsa. The main bank is located at 7666 East 61st Street, with a staff of approximately 20 employees. A full-service branch with a drive-thru facility is located at 5951 South Lewis Avenue, with a staff of approximately ten employees. No locations have been opened or closed since the previous CRA examination. Triad offers a diverse line of loan and deposit services during reasonable hours, Monday through Friday. Triad also offers banking services by telephone, the internet, and remote deposit capture. Automated Teller Machine (ATM) service is available through a proprietary ATM at the South Lewis location and through the TransFund network that has over 500 terminals

Triad's primary business focus is to serve commercial and consumer customers in Tulsa County and immediate surroundings. Triad also offers Small Business Administration (SBA) 504 and 7A loans. As of June 30, 2016, Triad had total assets of \$163 million. The loan portfolio consists of the following:

Loan Category	\$ (000)	%
1-4 Family Residential RE Loans	\$65,706	48.16%
Business Loans	\$66,208	48.53%
Agricultural Loans	\$588	.43%
Consumer Loans	\$3,686	2.70%
Other Loans	\$252	0.20%
Total	\$136,440	100.00%

Source: June 30, 2016 Consolidated Reports of Condition and Income

There are no known legal or financial impediments that would prevent the bank from meeting the credit needs within the AA. Triad is involved in and provides support to meet the community's financial needs. A CRA PE was last prepared May 23, 2011, and a "Satisfactory" rating was assigned. There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs in the AA.

DESCRIPTION OF ASSESSMENT AREA(S)

Triad's AA consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude LMI geographies. It meets the requirements of the CRA regulation.

Triad's AA comprises all of Tulsa County in northeastern Oklahoma. The AA includes 175 contiguous census tracts in the Tulsa, OK Metropolitan Statistical Area (MSA), comprising 19 that are categorized as low-income, 52 categorized as moderate-income, 49 categorized as middle-income, and 55 categorized as upper-income tracts. The main bank is located in a middle-income census tract with only one adjacent moderate-income tract, and no adjacent low-income tracts. The branch is located in an upper-income census tract with no adjacent LMI census tracts. The closest low-income census tract is separated from the branch by a natural boundary (Arkansas River). A majority of the census tracts in the AA are middle and upper-income tracts. The following table describes major demographic and economic characteristics of the AA based on 2010 U.S. Census data.

Demographic and Economic Characteristics of Tulsa MSA AA	
Population	
Number of Families	150,577
Number of Households	238,715
Geographies	
Number of Census Tracts	175
% of Low-Income Census Tracts	10.86%
% of Moderate-Income Census Tracts	29.71%
% of Middle-Income Census Tracts	28.00%
% of Upper-Income Census Tracts	31.43%
Median Family Income (MFI)	
2010 MFI for AA	\$64,390
2015 HUD-Adjusted MFI	\$61,400
Economic Indicators	
Unemployment Rate	5.4%
2010 Median Housing Value	\$131,942
% of Households Below Poverty Level	14.12%

Source: 2010 U.S. Census data

The total population of the AA is 603,403 persons. While there are 19 designated low-income census tracts in the AA, there are LMI families throughout the AA. The local economy is in a holding pattern pending energy's ripple effects. Private payrolls were up most recently, but trended downward from the beginning of the year. State and local government has been steady, but the factory sector declined. Manufacturing, which accounts for 11 percent of employment and 14 percent of gross metro product, lost jobs this year. Income pressure due to the factory job losses placed housing on pause earlier.

Single family and multifamily housing starts were down from the prior year. As with most of Oklahoma, weakness in energy and contraction in goods industries broadly are obstacles to expansion.

Longer term, an attractive quality of life and costs of doing business may keep Tulsa and the metro area even with economic activity in the state and nation. The economy has always been dependent on several larger diversified oil and gas businesses and to a lesser extent on the aviation industry. Additionally, Tulsa has several private and public colleges and universities, and one of the largest public school systems in the state. The major employers in the area are St. Francis Heart Hospital, St. Francis Hospital, American Airlines Maintenance, and Bank of Oklahoma. Inside the AA there is intense competition for loans and deposits from many other national and state chartered banks, and branches of other banks and financial institutions of various kinds.

Community Contact

We contacted a local community leader in the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact stated that some community development has been completed, but is currently limited, and those banks that are involved tend to be through private capital portions of SBA programs. Banks tend to favor lower-risk financing structures. Banks in the community can also provide technical assistance to community groups and small businesses. The contact also identified a need for reducing food deserts in parts of Tulsa County, and there is a need for better quality LMI and workforce housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Triad's LTD ratio is ***more than reasonable*** and exceeds the standard for satisfactory performance. Triad's average quarterly LTD ratio from June 30, 2011 through June 30, 2016 is 90 percent. The average quarterly LTD of nine similarly situated banks chartered in Tulsa County is 85 percent. The ratios range from a low of 51 percent to a high of 103 percent.

Lending in Assessment Area

Lending patterns during the review period indicate a ***majority*** of the loans are originated inside the AA, and these patterns meet the standard for satisfactory performance. The following table presents a more specific identification of loan types inside and outside of Triad's AA.

Table 1 – Residential Real Estate, Commercial and Consumer Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	14	77.78	4	22.22	18	4,376	83.50	865	16.50	5,241
Improvement	1	25.00	3	75.00	4	22	13.41	142	86.59	164
Refinance	4	100.00	0	0.00	4	546	100.00	0	0.00	546
Subtotal RE	19	73.08	7	26.92	26	4,944	83.08	1,007	16.92	5,951
Commercial	15	75.00	5	25.00	20	1,512	58.91	1,054	41.09	2,566
Consumer	16	80.00	4	20.00	20	340	89.76	39	10.24	379

Source: HMDA data – residential loans made during the review period 2015 and YTD 2016; loan samples

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

Lending patterns during the review period, combined with Triad’s Performance Context, indicate a **reasonable penetration** of loan originations among borrowers of different income levels and businesses of different sizes, and these patterns meet the standard for satisfactory performance. The following tables present a more specific identification of loan penetration patterns among borrowers inside the AA.

Table 2A - Borrower Distribution to Businesses in AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	79.59%	5.11%	15.30%	100.00%
% of Bank Loans in AA by #	66.67%	33.33%	0.00%	100.00%
% of Bank Loans in AA by \$	56.82%	43.18%	0.00%	100.00%

Source: Commercial loan sample; Dunn and Bradstreet

Table 2B - Borrower Distribution of Loans to Businesses by Loan Size in AA				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans	% of Dollars
Up to \$100,000	10	66.67%	609,634	40.32%
Up to \$250,000	4	26.66%	600,638	39.73%
Up to \$500,000	1	6.67%	301,584	19.95%
Up to \$1,000,000	0	0.00%	0	0.00%
Over \$1,000,000	0	0.00%	0	0.00%
Total	15	100.00%	1,511,856	100.00%

Source: Commercial loan sample.

Table 2C - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23.99	25.00	16.98	12.50	17.70	18.75	41.33	43.75

Source: Loan Sample; 2010 U.S. Census data.

Triad’s residential real estate loan penetration to borrowers of different income levels is poor, as the percentage of real estate loans extended to LMI applicants is not representative of the AA demographics. However, factors for this performance, in addition to the bank’s description and AA noted earlier, include the following:

- Intense competition inside the AA for market share of residential home purchase, home refinancing, and home improvement loan products is intense. Competition includes 43 banks inside the AA, including the mortgage division of a large mid-size community bank (Bank of Oklahoma), and branches of large banks such as Bank of America and Chase, and a large federal savings bank.
- Triad does not offer Veterans Administration (VA) and Federal Housing Administration (FHA) loan products. As an alternative, management refers applicants, many of whom are LMI applicants seeking special financing such as VA, FHA, or with minimal down payment requirements, to Mortgage Clearing Corporation (a non-affiliate). Management reports that during 2015 and 2016, loans have been offered and completed on long term financing through Mortgage Clearing Corporation.

Table 2 - 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
Purchase	20.96	0.00	17.56	7.14	19.63	0.00	41.85	57.14
Improvement	20.96	0.00	17.56	0.00	19.63	0.00	41.85	100.00
Refinance	20.96	0.00	17.56	0.00	19.63	0.00	41.85	75.00

Source: Data reported under HMDA; 2010 U.S. Census data; NA: Purchase 35.72%, Refinance 25.00%

Geographic Distribution of Loans

Lending patterns during the review period, combined with Triad’s Performance Context, indicate a **reasonable dispersion** of loan originations among borrowers of different income levels and businesses of different sizes, and these patterns meet the standard for satisfactory performance. The following tables present a more specific identification of loan dispersion throughout the AA.

Table 3 - Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	6.61	0.00	23.09	20.00	29.29	46.67	41.01	33.33

Source: Commercial loan sample.

Table 3A - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	8.80	0.00	26.23	18.75	30.65	25.00	34.32	56.25

Source: Consumer loan sample.

Our residential real estate loan sample discloses the dispersion of residential real estate loans is poor, as the percentage of real estate loans extended in LMI geographies is not representative of the AA demographics. However, factors for this performance, in addition to the bank’s description and AA noted earlier, include the following:

- intense competition inside the AA from the mortgage departments at other competing financial institutions that originate long-term fixed rate loans to be sold into the secondary market.
- the low-income tracts near downtown comprise predominately office buildings, parking lots, expressways, retail areas, hospitals, and numerous small apartment buildings, and a relatively small number of single family dwellings.
- the main bank is located in a middle-income census tract, adjacent primarily to middle and upper-income tracts.
- only one adjacent moderate-income census tract, and no low-income census tracts are within the immediate vicinity of the main office.
- the branch is located in a upper-income census tract, surrounded by middle and upper income census tracts.
- there are no low-income census tracts adjacent to the main office or branch, and the nearest low-income census tract is separated from the branch by a natural barrier, the Arkansas River.

Table 3B - 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
Purchase	5.35	0.00	20.55	0.00	31.63	14.29	42.47	85.71
Improvement	5.35	0.00	20.55	0.00	31.63	0.00	42.47	100.00
Refinance	5.35	0.00	20.55	25.00	31.63	25.00	42.47	50.00

Source: Data reported under HMDA; 2010 U.S. Census data.

Responses to Complaints

There have been no consumer complaints regarding Triad’s performance under the Community Reinvestment Act (CRA) since the previous evaluation dated May 23, 2011. Triad’s CRA Public File contains all of the required information.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.