



PUBLIC DISCLOSURE

JULY 23, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**THE BANK OF COMMERCE
RSSD# 966656**

**601 SOUTH MAIN STREET
WETUMKA, OKLAHOMA 74883**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

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

The Bank of Commerce has a satisfactory record of helping to meet the credit needs of its entire assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources, operating philosophy, and credit needs of the community. Four of the five criteria used in evaluating small bank lending performance were relevant to this review and are as follows:

- Loan-to-Deposit (LTD) Ratio
- Lending Inside the AA
- Lending to Borrowers of Different Income Levels
- Geographic Distribution of Loans

The bank's responsiveness to complaints under the Community Reinvestment Act (CRA), the fifth core criteria used to assess small bank performance, was not evaluated because the bank has not received any such complaints.

Conclusions about the four performance criteria were based on data compiled from a statistically-derived sample of loan files for each major product line. The major product lines were determined through discussions with the bank management, a review of the Report of Condition and Income (Call Report), and a review of the number of loan originations since the bank's last CRA examination of June 23, 2003. The two loan types selected for review were residential real estate loans and consumer motor vehicle secured loans.

The bank's LTD ratio indicated a reasonable effort to extend credit in a competitive lending market. In addition, a majority of the bank's lending activity occurred inside its AA. The bank's geographic distribution of loans reflected a more than reasonable dispersion throughout its AA and the distribution of loans among borrowers of different income levels was reasonable.

SCOPE OF EXAMINATION

The performance of the bank was assessed using the Federal Financial Institutions Examinations Council's (FFIEC) examination procedures for small institutions. The bank's performance was based on an analysis of its residential real estate loans and consumer motor vehicle loan originations from December 1, 2006 to May 31, 2007. The sample size consisted of a total of 85 loans, of which 43 were residential real estate loans and 42 consumer motor vehicle loans.

Interviews with members of the community within the bank's AA were conducted during the examination to ascertain local credit needs and economic conditions. Two contacts were made, one with officials from an affordable housing agency and another with a local realtor in the bank's AA.

DESCRIPTION OF INSTITUTION

The bank is chartered in Wetumka, Oklahoma, located approximately 75 miles east of Oklahoma City and 70 miles south of Tulsa. The bank's parent company is the Mabry Bancorporation, a multibank holding company owning two other Oklahoma banks. In January 2004, the bank merged with its affiliate, Weleetka State Bank, which was retained as a branch office. The branch is located approximately 10 miles to the northeast of the city of Wetumka. Both offices offer drive-through facilities and an automated teller machine (ATM) also is located at the main bank. Cash dispensing ATMs are also available at a grocery store in Weleetka, Oklahoma, and a travel plaza in Horntown, Oklahoma, which is about 11 miles south of Wetumka.

The bank is the sixth largest of the 11 Federal Deposit Insurance Corporation (FDIC)-insured financial institutions located in Hughes, Okfuskee, and McIntosh Counties. According to the June 30, 2006 FDIC Market Share Report, the bank holds nearly 7 percent of the area deposits, with a slight loss of deposit market share from the previous year.

The bank offers traditional loan and deposit products with an emphasis on residential real estate and consumer loans. As of the March 31, 2007 Call Report, the bank reported total assets of \$37,182M, gross loans of \$27,787M, and total deposits of \$33,647M. Table 1 illustrates the breakdown of the bank's loan portfolio by product.

TABLE 1 BANK'S LOAN PORTFOLIO		
Loan Type	Amount (\$000)	Percent of Total
Agricultural	5,384	19.4
Commercial	5,627	20.2
Consumer	6,823	24.6
Real Estate	9,887	35.6
Other	66	0.2
Total Gross Loans	27,787	100.0

The evaluation of CRA performance was considered in the context of the bank's financial capacity, legal impediments, competitive and economic conditions, and demographics that may have affected the bank's ability to extend credit. The analysis did not reveal any legal impediments or financial constraints that restrict the bank's ability to lend.

The bank's performance under the CRA was last evaluated at the June 23, 2003 examination, at which time a satisfactory rating was assigned.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank is located in the central portion of the state and in the northern portion of Hughes County. The bank's branch is about 10 miles to the northeast and is located in the southeastern portion of Okfuskee County. The area is dominated by farm and ranch operations and includes a number of small communities. In addition to the agricultural economy, the workforce is employed primarily by local governments and health and education services.

The bank's delineated AA includes four contiguous census tracts. The two moderate-income tracts are located in southeastern Okfuskee County and the northern portion of Hughes County. The two middle-income tracts are located in the central portion of Hughes County and the southwestern portion of McIntosh County. The bank's AA does not arbitrarily exclude any low- or moderate-income tracts.

According to 2000 census data, the total population for the bank's AA is 8,901 with 1,451 and 1,014 residents in the towns of Wetumka and Weleetka, respectively. Demographic data shows that 18 percent of the AA's population is over the age of 65 compared to 15 percent in other rural areas of Oklahoma. The AA's total population has a median age of 39 years.

The area is also home to the Muskogee (Creek) Nation of Oklahoma resulting in the near 28 percent American Indian population in the bank's AA. The Creek Nation consists of 5,941 acres of land scattered throughout ten counties. The tribe is represented by Indian communities located in most towns and cities in the area, including Wetumka and Weleetka, which provide the best opportunity for employment. The tribe provides many support services and government grants for tribal members, especially those of low- and moderate-income. As shown in Table 2 below, the area's poverty rate is 18.6 percent, which is higher than the 13.2 percent noted for the other nonmetropolitan areas in the state. Furthermore, census data indicates that the poverty rate based on total population in the two moderate-income tracts that surround the communities of Wetumka and Weleetka is at 31.9 and 26.7 percent, respectively.

The area's housing appears to be affordable with the median housing value in the AA at \$37,846 and an affordability ratio that is higher than the rest of the state. However, the median family income is only 81 percent of the nonmetropolitan median, thus making it difficult for LMI borrowers to qualify for a home mortgage. In addition, the community contacts interviewed indicated that a number of homes in the area are vacant or in disrepair.

The Bureau of Labor Statistics shows that employment growth in 2006 declined in Hughes County by approximately 2.5 percent, with a current unemployment rate of 6.5 percent. Similarly, employment growth declined by 0.5 percent in Okfuskee County with an unemployment rate as of March 2007 of 5.9 percent compared to the state average of 4.4 percent. According to the May 2007 Oklahoma Labor Market Information, out of all 77 counties in the state, both Hughes and Okfuskee Counties rank in the top ten counties for the highest unemployment rates. Census data from 2000 also reveals that a vast majority of unemployed residents reside in the moderate-income tracts.

According to both local community contacts, Hughes and Okfuskee Counties have the highest unemployment rates and the lowest per capita-incomes of all 77 counties in the state of Oklahoma. The area lacks large employers, and small businesses generally provide minimum wage jobs. Furthermore, one community contact mentioned that one of the problems affecting the area is that the majority of residents lack technical skills and higher education levels that typically attract larger businesses to a community. The bank's president and the local realtor also stated that real estate loan demand is low among LMI individuals as the Creek Nation is able to fund many home purchase and home rehabilitation loans through its own housing authority.

Table 2 summarizes the characteristics of the bank's AA based on 2000 Census and 2006 Dun and Bradstreet data.

TABLE 2 THE BANK OF COMMERCE'S AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	700	28.5
Moderate-income	2	50.0	1,446	58.9	329	22.8	500	20.4
Middle-income	2	50.0	1,009	41.1	127	12.6	543	22.1
Upper-income	0	0.0	0	0.00	0	0.0	712	29.0
Total AA	4	100.0	2,455	100.0	456	18.6	2,455	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low-income	0	0	0.0	0.0	0.0	0.0	0	0.0
Moderate-income	2,535	1,630	59.7	64.3	489	19.3	416	16.4
Middle-income	1,554	1,100	40.3	70.8	222	14.3	232	14.9
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	4,089	2,730	100.0	66.8	711	17.4	648	15.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	124	68.1	101	65.6	12	92.3	11	73.3
Middle-income	58	31.9	53	34.4	1	7.7	4	26.7
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	182	100.0	154	100.0	13	100.0	15	100.0
		Percentage of Total Businesses:		84.6		7.1		8.2

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall conclusions regarding the lending tests are summarized in the following sections. Each test is evaluated for performance characteristics described in Appendix B of Regulation BB, which implements the CRA. Data used for this evaluation included the bank's performance data and area demographic information, which is also summarized in the following table.

TABLE 3 THE BANK OF COMMERCE'S LENDING PERFORMANCE								
Lending within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
Residential Real Estate	38	88.4	1,721	79.2	5	11.6	422	19.8
Consumer Motor Vehicle	32	76.2	202	70.7	10	23.8	84	29.3
TOTAL	70	82.4	1,923	79.2	15	17.6	506	20.8
Distribution by Income Level of Geographies								
	% of Bank Loans				% of Owner Occupied Units			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Residential Real Estate	0.0	92.1	7.9	0.0	0.0	59.7	40.3	0.0
	% of Bank Loans				% of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Consumer Motor Vehicle	0.0	100.0	0.0	0.0	0.0	58.9	41.1	0.0
Distribution by Borrower Income Level								
	% of Bank Loans				% of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Residential Real Estate	10.5	7.9	18.0	63.2	28.5	20.4	22.1	29.0
Consumer Motor Vehicle	43.8	25.0	21.9	9.4				

Loan-to-Deposit Ratio

This performance standard estimates the reasonableness of the bank's aggregate LTD ratio in view of performance context information, including the institution's capacity to lend, demographic and economic factors present in the AA, and the availability of lending opportunities.

The bank's average LTD ratio was compared to five other similarly situated lenders within and around the bank's delineated AA and to the bank's national peer group. The average LTD ratio for both the subject and peer banks was calculated by adding the quarterly LTD ratios

and then dividing by the 16 quarters since the bank's last CRA examination. Over this period, the bank's average LTD ratio of 78 percent compared favorably to the 60 percent average of the local peer group and to the 70 percent average of the bank's national peer group. As a result, the bank's performance under this test is considered reasonable.

Lending in the Bank's Assessment Area

This lending test evaluates the concentration of residential real estate and consumer motor vehicle loans originated by the bank in its AA. As shown in Table 3, a majority of the bank's residential real estate and consumer motor vehicle loans are originated inside the AA. The bank's performance in this lending test is therefore considered reasonable.

Geographic Distribution of Loans

Within this performance test, the bank's distribution of residential real estate loans is compared to the percentage of owner-occupied units, while the distribution of consumer motor vehicle loans is compared to the percentage of families located in each income tract. Emphasis is placed on lending in the moderate-income tracts. Overall, the bank's distribution of loans reflects a more than reasonable dispersion throughout the AA.

Residential Real Estate Loans

The bank's distribution of real estate loans among different geographies is considered more than reasonable. Table 3 shows that the bank's distribution of loans in the two moderate-income tracts exceeded the percentage of owner-occupied units in these geographies.

Consumer Motor vehicle Loans

The distribution of consumer motor vehicle loans in the bank's AA indicates a more than reasonable penetration in the moderate-income tracts as well. Table 3 reveals that all of the consumer motor vehicle loans were originated within the two moderate-income geographies.

Distribution by Borrower Income

This lending test focuses on the bank's level of lending to borrowers of different income levels, particularly LMI individuals. The analysis for lending to residential real estate and consumer motor vehicle borrowers focused on the number of loans originated, rather than the dollar volume, as it is a better indicator of the number of individuals benefiting from these products. Overall, the bank has a reasonable penetration of loans to borrowers of different income levels.

Residential Real Estate Loans

The bank's distribution of residential real estate loans to borrowers of different income levels is considered reasonable considering the economic conditions, demographic data, and other

performance context issues in the bank's AA. Table 3 shows that the percentage of the bank's real estate loans originated to LMI borrowers is much lower than the number of LMI families in the AA. However, considering the area's high poverty rates, high unemployment, low wages, the lack of access to traditional types of incomes, and poor housing and market conditions, qualifying for residential real estate loans becomes more difficult because of limited assets and limited disposable incomes. Furthermore, LMI borrowers that are of Native American descent have access to housing credit and grants through the Muskogee Creek Nation.

Consumer Motor vehicle Loans

As illustrated in Table 3, the bank's distribution of consumer motor vehicle loans to borrowers of different income levels is more than reasonable. Nearly 69 percent of consumer motor vehicle loans were originated to LMI borrowers, which compares very favorably to the 49 percent of LMI families in the bank's AA.

Record of Responding to Complaints

The bank has not received any complaints about its performance in meeting AA credit needs. Therefore, the bank's performance in responding to complaints was not assessed.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. Further, the bank has not engaged in other illegal practices inconsistent with helping to meet community credit needs.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income areas or designated disaster areas.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail Banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”

