

Public Disclosure

June 30, 1997

Community Reinvestment Act  
Performance Evaluation

Bank of Commerce, N. A.  
Charter Number: 23265

P.O. Box 1890  
Catoosa, Oklahoma 74015

Office of the Comptroller of the Currency  
Tulsa Duty Station

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Tulsa, Oklahoma 74136

Note: 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.

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 Bank of Commerce, N. A. prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 30, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio is reasonable.

Bank of Commerce, N. A. services two communities with the main office located in Catoosa, Oklahoma and a full-service branch in Adair, Oklahoma.

The Catoosa office was opened in June 1997 and is located in the Tulsa Metropolitan Statistical Area (MSA). Because of the low volume of loans made from this location, insufficient data was available to conclude on the bank's performance within the Tulsa MSA.

The bank has operated in the Adair community for several years, and originates a majority of its loans within the assessment area, including loans to low- and moderate-income (LMI) individuals.

The bank demonstrates a commitment to small business lending.

The following comments further describe the bank's CRA performance. Our conclusions in each performance category are based solely on the lending practices at the Adair branch.

The following table indicates the performance level of Bank of Commerce, N. A. with respect to each of the five performance criteria.

Small  
Institution  
Assessment  
Criteria

Bank of Commerce, N. A.  
Performance Levels

Exceeds  
Standards for  
Satisfactory  
Performance  
Meets  
Standards for  
Satisfactory  
Performance  
Does Not Meet  
Standards for  
Satisfactory  
Performance

Loan-to-deposit  
ratio

X

Lending in  
assessment  
area

X

Lending to  
borrowers  
of  
different  
incomes and  
to  
businesses  
of  
different  
sizes

X

Geographic  
distribution of loans

X

Response to  
complaints

No complaints were received since the prior  
examination.

## DESCRIPTION OF INSTITUTION

Bank of Commerce, N. A. (BOC) is a \$13 million independent bank based in Catoosa, Oklahoma. BOC is owned by Commerce Bancshares, Inc., a one bank holding company. The bank operates its main office in Catoosa, and has a branch in Adair, Oklahoma with an attached drive-in facility. The bank has only had a presence in the Catoosa area since June 1997. Adair is located approximately 35 miles northeast of Catoosa. The bank has no ATMs. As evidenced by the composition of the loan portfolio, the bank's primary business strategy focuses on residential real estate lending, commercial & commercial real estate, and consumer lending. At June 30, 1997, these categories represented approximately 82% of the bank's loan portfolio. A breakdown of this loan mix follows:

Loan Type  
Percent of  
Portfolio

1-4 Family Residential Real  
Estate  
41%

Commercial & Commercial  
Real Estate  
26%

Consumer & Credit Card  
15%

Based on its financial condition and size, product offerings, and prior performance, BOC has the ability to meet the various needs of its communities. No legal impediments or other factors hinder the bank's ability to provide credit.

## DESCRIPTION OF ASSESSMENT AREAS

BOC has established two assessment areas, one for the office in Catoosa and another for the Adair branch location.

The bank's main office was moved to Catoosa during June 1997. The Catoosa assessment area includes two middle income census tracts that are located in the Tulsa, Oklahoma MSA. The assessment area does not arbitrarily exclude LMI geographies and complies with the requirements of the regulation. U.S. Census data indicates the median family income for the Catoosa assessment area is \$32,578. The following table shows the income distribution of total families living in the Catoosa assessment area:

Income Level	Count	Percentage
Low Income	446	17%
Moderate Income	544	21%
Middle Income	675	26%
Upper Income	908	36%
Totals	2,573	100%

Source: 1990 Census Data, U.S. Bureau of the Census

According to 1990 U.S. Census data, the population of the Catoosa assessment area is 8,978. Demographic data reveals the population is 87% White, 10% American Indian, 2% Hispanic, and 1% other race.

The town of Catoosa is a growing community of 3,500 people, located approximately five miles east of Tulsa. The local economy is diversified consisting primarily of light-to-medium industries. Major employers in the area include the Port of Catoosa. The port has approximately 17 separate companies employing between 2,200 and 2,500 people. Many of the local residents commute to work in Tulsa. The area is served by two financial institutions, including BOC. The other financial institution is a branch of Nationsbank.

The Adair assessment area includes the town of Adair and surrounding community. It consists of one upper income census tract. Adair is not part of a MSA. The assessment area does not arbitrarily exclude LMI geographies and complies with the requirements of the regulation. U.S. Census data indicates the median family income for state non-MSA areas is \$24,139. The following table shows the income distribution of total families living in the Adair assessment area:

Income Level	Count	Percentage
Low Income	262	17%
Moderate Income	158	11%
Middle Income	291	19%
Upper Income	787	53%
Totals	1,498	100%

Source: 1990 Census Data, U.S. Bureau of the Census

According to 1990 U.S. Census data, the population of the Adair assessment area is 4,938. Demographic data reveals the population

is 86% White, 13% American Indian, and 1% Hispanic.

The town of Adair has a population of less than 1,000 people, and is located approximately 50 miles northeast of Tulsa. The largest employer is the local school district with approximately 100 employees. Most of the local residents commute to the neighboring cities of Pryor, Claremore, or Tulsa for employment. The local economy is stable. BOC is the only financial institution in Adair.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank has a reasonable loan-to-deposit ratio, given its asset size, financial condition, and the known credit needs of its assessment areas. Since the last CRA evaluation in November 1994, the bank's quarterly loan-to-deposit ratio has averaged approximately 54%. The ratio has been increasing and currently equals 58%. This is comparable to the 60% ratio reported by peer banks.

The bank has been active in providing credit to develop the community. Examples include:

Residential lending: Residential real estate loans represent 41% of the bank's loan portfolio.

Commercial Business and Commercial Real Estate lending: Loans to commercial businesses represent 19% of the bank's loan portfolio. Additionally, loans secured by commercial real estate represent 7% of the bank's loan portfolio.

Consumer and Credit Card Lending: Consumer and credit card loans represent 15% of the bank's loan portfolio.

### Lending in the Assessment Area

A majority of loans are made within the Adair assessment area. We reviewed a total of 40 residential and consumer loans during the examination and concluded that 72% originated within the assessment area. This indicates the bank is committed to its local communities and takes an active role in meeting credit needs.

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

A review of the Adair loan portfolio reflects a reasonable distribution among individuals of various income levels. Of the loans sampled during the examination, approximately 53% of automobile and consumer loans and 23% of single-family real estate loans originated within the assessment area were to LMI individuals. Overall, the sample indicated that 40% of the loans were to LMI individuals. The following table reflects the distribution by income category:

### Distribution of Lending by Borrower Income

#### Income Level

Auto & Con.  
Loans  
Real Estate  
Loans

Low Income  
24%

15%

#### Moderate Income

29%

8%

#### Middle Income

6%  
0%

#### Upper Income

41%  
77%

Totals

100%  
100%

Source: Loan review of 21 automobile and consumer loans and 19 real estate loans.

The loan portfolio reflects a good distribution of lending to businesses of various sizes. A query was run on all business loans within the loan portfolio. The following table reflects the distribution of loans by original loan size:

#### Distribution of Business Loans By Original Loan Size

	#	%	\$(000)	%
less than \$100M	66	88%	\$1,282	47%
\$100M to \$250M	8	11%	\$1,023	38%
\$251M and above	1	1%	\$ 421	15%

Totals  
75  
100%  
\$2,726  
100%

Source: Computer generated report provided by bank management.

## Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas. As expected, the majority of lending has occurred within the Adair assessment area where the bank has been doing business for many years. There are no LMI areas within the bank's two assessment areas, and no evidence exists to suggest that LMI individuals are being arbitrarily denied access to credit. Loans are being funded across the entire assessment area.

## Response to Complaints

No complaints relating to CRA performance have been received by the bank.

## Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted as part of a concurrent compliance examination of BOC. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No violations of law were identified.