



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

August 15, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Commerce
Charter Number 18356**

**5500 St. Charles Road
Berkeley, IL 60163**

**Comptroller of the Currency
Chicago North
85 West Algonquin Road Arlington Pl. II, Suite 340
Arlington Heights, IL 60005**

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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

National Bank of Commerce has a satisfactory record of meeting community credit needs based on the following:

- The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area (AA) credit needs.
- The bank's record of lending within its AA is good with a majority of loans being extended in the bank's AA.
- Borrower distribution at various income levels is satisfactory.
- Geographic distribution is satisfactory.
- There have been no Community Reinvestment Act (CRA) Consumer Complaints against the bank.
- Community development loan volume and qualified investment volume is good and respond to the needs of the AA.
- Retail services are accessible to individuals of various income levels within the bank's AA.
- Community development services volume is good as bank employees provide knowledge and expertise within the AA. Community development services are responsive to the AA needs.
- There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs

SCOPE OF EXAMINATION

The CRA examination encompasses commercial loans including real estate and home mortgages that originated or were purchased from January 1, 2004 through June 30, 2006 as these are the bank's primary loan types. We also considered community development loans, investments, and services from January 13, 1999 through June 30, 2006.

DESCRIPTION OF INSTITUTION

The National Bank of Commerce (NBC) is a \$370 million financial institution, and a wholly owned subsidiary of Commerce Bancorp, Inc. The bank does not have any subsidiaries or affiliates. Commerce Bancorp, Inc. is a one-bank holding company headquartered in Berkeley, Illinois with total assets of \$390 million as of December 31, 2005.

NBC operates two full service branch locations. The main office is located in Berkeley, Illinois and a branch is located in Addison, Illinois. The Addison branch was opened in August of 2004 and the only corporate structure change since the last public evaluation. The bank has five automated teller machines (ATMs); one at the main bank in Berkeley, two at the branch in Addison, one at a car dealership in Melrose Park, and one at the Melrose Park Village Hall. Both of the bank's offices are located within its AA.

The bank's lending consists primarily of commercial loans including real estate and residential real estate. NBC's business strategy is to grow the loan portfolio, focusing on consumer and small business lending. As of June 30, 2006, NBC's reported total outstanding loans of approximately \$192 million and a net loan to average assets ratio of 49.61%. The bank's total deposits equal approximately \$280 million and represent 73.53% of average assets. Tier 1 capital is reported at \$32 million. The gross loan portfolio consists of the following:

Loan Mix (\$)	Dollar Amt	% of Avg Gross Loans
Commercial loans including Real Estate	100,663	52.50%
Residential Real Estate (1st & 2nd liens)	51,895	27.07%
Construction, land development, etc.	28,897	15.07%
Obligations of states and political sub & other loans	7,319	3.82%
Consumer Loans	2,944	1.54%
Gross Loans & Leases	191,718	100.00%

There are no legal, financial, or other factors that would hinder the bank's ability to help meet the credit needs in its AA. NBC received a "Satisfactory" rating at its prior CRA examination performed on January 12, 1999.

DESCRIPTION OF ASSESSMENT AREA

NBC's AA consists of a section of the Chicago Metropolitan Statistical Area (MSA) in the State of Illinois. The bank's AA contains two metropolitan divisions, the northern portion of Cook County, roughly North of 87th Street, and all of DuPage County. The AA contains 1,253 census tracts. The area is contiguous and contains whole census tracts. The AA is generally bounded by Lake County on the North, Kane County on the West, Will County and roughly north of 87th Street in Cook County on the South, and Lake Michigan on the East.

Of the 1,253 census tracts, 1,106 are located in Cook County and 147 are in DuPage County. The bank's AA does not arbitrarily exclude any low- or moderate- income areas. It is comprised of all income tract levels including 216 (17.24%) low-income, 330 (26.34%) moderate-income, 362 (28.89%) middle-income, 330 (26.34%) upper-income, and 15 (1.20%) unknown income tracts. Both branches are in close proximity to census tracts designated as moderate-income but neither are in close proximity to low-income tracts. The following table summarizes the income levels of census tracts and families by counties within the bank's AA.

Income Distribution of Census Tracts and Families												
County	Census Tracts (# and %)								Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Chicago MSA												
Cook	216	20%	329	30%	314	28%	232	22%	12%	29%	36%	23%
DuPage	0	0%	1	1%	48	32%	98	67%	0%	1%	33%	62%
Total	216	17%	330	26%	362	29%	330	26%	18%	19%	25%	38%

Source: 2000 US Census data

The local economy is considered stable. Per the 2000 U.S. Census data, within the bank's AA there are 5,190 million individuals and 1,235 million families. There are 2,029 million housing units with 54 % owner occupied. The bank's AA is an older community with housing units averaging 52 and 32 years old in Cook and DuPage Counties, respectively. Per the 2005 Census Bureau Population Estimates for Illinois, Cook County's population has declined in the last five years by 1.36%. DuPage County reflects growth increasing by 2.76%. The following table summarizes demographics for the bank's AA:

Demographic Data			
	Cook County	DuPage County	TOTAL
Total Individuals	4,286,051	904,161	5,190,212
Total Families	998,298	236,252	1,234,550
Total Households	1,692,964	336,011	2,028,975
Median Family Income	58,463	81,793	
Total Housing Units	1,691,964	335,621	2,027,585
Owner Occupied Units	850,948	248,771	1,099,719
Median Housing Price	186,390	201,853	

Source: 2000 US Census data

Per the 2006 Business Geodemographics data, the leading industries in Cook County are services

(41%) and retail trade (10%). For DuPage County, leading industries also included services (40%) and retail trade (13%). For the year 2005, Cook County's unemployment rate at 6.5%, was higher than the State of Illinois unemployment rate of 5.7% and the nation's rate of 5.1%. In comparison, DuPage County's unemployment rate at 4.7% was below both the state's and nation's rate.

Competition within the bank's AA is strong. Including NBC, there are 180 financial institutions serving the bank's AA. JP Morgan Chase Bank is the leader, holding 18% of the deposit market share. Commerce Bancorp, Inc., the banks holding company, holds .15% of the market shares of deposits, ranking fifty eight in the AA. NBC also holds .15% of the market shares of deposits, ranking ninety one in the AA.

We conducted one community contact during our examination that is located within the bank's AA. The nonprofit organization offers half-way housing, clinical services, and counseling to individuals suffering from substance abuse. The contact indicated that these individuals are unaware of banking products, and local banks could meet the needs of the community by developing more flexible loan and deposit products for individuals to meet short-term credit needs or to assist at building a credit record.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan to Deposit Ratio

Overall, NBC's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly loan-to-deposit ratio averaged 57.64% over 31 quarters from December 31, 1998 to June 30, 2006. This compares unfavorably to peer banks which have quarterly average loan-to-deposit ratios ranging from 59.40% to 88.04%. Recently, the bank's loan to deposit ratio has trended upwards and for the past 9 quarters is at 63.20%. Competition is strong in the bank's AA and one of the reasons for the low ratio.

Loans in AA

The majority of the bank's loans to borrowers are within the boundaries of the AA. Our analysis was performed by analyzing a total of 85 loans including 56 home mortgages reported under the Home Mortgage Disclosure Act (HMDA) and 29 commercial loans that originated during the evaluation period (the years of 2004, 2005, and June 30, 2006).

The bank's record of lending within its AA is good. Approximately 85% by total number and 76% by total dollar volume of loans were made to borrowers located within the bank's AA.

TOTAL LOANS REVIEWED

Loan Type	In Assessment Areas				Out of Assessment Areas				Totals	
	#	% of #	\$\$ (000s)	% of \$\$	#	% of #	\$\$ (000s)	% of \$\$	#	\$
Home Purchase	21	80.77%	4,460	58.55%	5	19.23%	3,158	41.45%	26	7,618
Home Improvement	6	100.00%	55	100.00%	0	0.00%	-	0.00%	6	55
Home Refinance	20	83.33%	4,607	87.60%	4	16.67%	652	12.40%	24	5,259
Total HMDA Loans (1)	47	83.93%	9,122	70.54%	9	16.07%	3,810	29.46%	56	12,932
Commercial Loans (2)	25	86.21%	9,765	81.90%	4	13.79%	2,158	18.10%	29	11,923
GRAND TOTAL	72	84.71%	18,887	75.99%	13	15.29%	5,968	24.01%	85	24,855

Source: Bank Reports and HMDA LARs for years 2004, 2005, & 2006

- (1) Represents loans reported under the Home Disclosure Act
- (2) Includes commercial real estate and represents sample of 29 loans

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

Overall, borrower distribution is satisfactory, with the bank making loans to borrowers at all income levels.

Distribution of loans to businesses of various income levels is satisfactory. The bank's lending by number and dollar volume of loans is excellent in DuPage County, exceeding community demographics by dollar volume. Distribution of commercial loans in Cook County is reasonable, however does fall short when comparing by both number and dollar volume.

Borrower Distribution of Commercial Loans						
Gross Annual Revenue	Cook County			DuPage County		
	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	Business Data	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	Business Data
<= \$1 million	50%	53%	65%	65%	78%	65%
> \$1 million	45%	46%	8%	35%	22%	9%
Revenue unavailable	5%	1%	27%	0%	0%	26%
Total	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and 2006 Business GeoDemographics Data

Distribution of home mortgages to borrowers of various income levels is excellent in Cook County. As noted below, the bank exceeds community demographics in lending to low and moderate-income families. This is commendable as 13% of this community lives below poverty level.

However, home lending needs improvement in DuPage County as lending falls significantly below community demographics. In 2004, the bank opened a branch in Addison, Illinois

(DuPage County) where competition is strong, making it challenging to provide financing. The bank's strategy is to grow the loan portfolio, with one of the primary focuses being providing financing to consumers via home equity loans.

Borrower Distribution of Home Mortgages						
Borrower Income Levels	Cook County			DuPage County		
	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	% of Families in AA	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	% of Families in AA
Low	13.79%	11.24%	26.17%	0.00%	0.00%	9.32%
Moderate	27.59%	29.75%	18.74%	0.00%	0.00%	12.67%
Middle	37.93%	36.98%	20.53%	10.00%	3.39%	21.59%
Upper	20.69%	22.03%	34.56%	90.00%	96.61%	56.42%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Real Estate reported under the Home Disclosure Act (years 2004, 2005, and 2006) and U.S. Census Data (2000)

Geographic Distribution

Geographic distribution is satisfactory.

Geographic distribution of commercial loans, the bank's highest volume loan product, is excellent in moderate-income geographies in Cook County but falls below community demographics in low-income geographies. The bank recently expanded their AA in conjunction with the opening of the Addison branch. The new AA is much larger than before and the bank has not had much opportunity to service the entire area. Analysis for DuPage County is not meaningful since no or limited businesses are located in low- and moderate-income geographies.

Geographic Distribution of Commercial Loans						
Tract Income Level	Cook County			DuPage County		
	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	% of Business	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	% of Business
Low	0.00%	0.00%	5.58%	0.00%	0.00%	0.00%
Moderate	40.00%	29.57%	18.78%	0.00%	0.00%	0.38%
Middle	40.00%	40.14%	33.02%	50.00%	58.81%	32.56%
Upper	15.00%	29.69%	42.11%	50.00%	41.19%	67.06%
Revenue Unavailable	5.00%	.60%	0.51%	-	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Bank records (verified by examiners) and 2006 Business Geodemographic Data

Geographic distribution for home mortgages is excellent in Cook County. The bank's lending by both number and dollar volume is exceeding community demographics for 2000. Analysis for DuPage County is not meaningful since no or minimal owner occupied units are located in low-

and moderate-income geographies.

Geographic Distribution of Home Mortgages						
Tract Income Level	Cook County			DuPage County		
	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	% of Owner Occupied Units	% of Bank Loans in AA by #	% of Bank Loans in AA by \$	% of Owner Occupied Units
Low	5.88%	9.54%	4.67%	0.00%	0.00%	0.00%
Moderate	38.24%	43.08%	20.52%	0.00%	0.00%	0.51%
Middle	38.24%	32.87%	42.71%	38.46%	36.69%	31.40%
Upper	17.64%	14.51%	32.10%	61.54%	63.31%	68.09%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Real Estate reported under the Home Disclosure Act (years 2004, 2005, and 2006) and U.S. Census Data (2000)

Responses to Complaints

The National Bank of Commerce has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Community Development Test

During the evaluation period, NBC generated qualified investments and loans that positively contribute to their CRA performance. Together, qualified investments and loans total \$3.6 million or 11.25% of Tier 1 capital.

NBC provides a good level of community development loans. The bank made the following 9 loans totaling \$2.1 million, or 6.65% of Tier 1 Capital.

- Four loans totaling \$678 thousand to a non-profit organization operating half-way houses, clinical services, and counseling to substance abusers. These funds were primarily used to purchase properties to be used for operations and for residences for its patients.
- Two loans totaling \$441 thousand to a non-profit organization that strives to improve and promote the welfare of senior citizens. This organization provides services such as transportation, home-delivered meals, in-house lunch programs, senior abuse and investigation, adult day care, health care, caregiver support and legal counseling. The monthly contributions are based on a sliding scale according to the participant's monthly income and the number of days attended per week.
- Two loans totaling \$640 thousand to a township which provides a variety of services to their residents. The township, through its various departments, provides services for senior citizens and students in financial hardship, including public aid, mental health services and additional counseling services.

- A \$368 thousand loan was made to Bethel Community Outreach Ministries to purchase a motel and rehabilitate it into a bookstore and ministry offices. In addition to the spiritual ministry, the group provides social and technical services to low or moderate income individuals and families that reside in the area.
- Two advances totaling \$2.1 thousand under the existing \$25 thousand line to the West Cook Community Development Corporation. Funds were used to assist small and emerging business in the AA who are not able to receive a loan from a conventional lending source due to their size, age, etc. of the business.

NBC provides a good level of community development investments. The bank made the 2 following investments totaling \$1.5 million, representing 4.69% of Tier 1 Capital.

- One investment totaling \$1MM was allocated for affordable housing to low to moderate income families. This investment assisted with funding 303 affordable housing units in various states with one located within the bank's AA.
- One thirty-six month certificate of deposit totaling \$500 thousand was opened with a bank that focuses its services on specific "priority communities". Priority Communities typically have median household incomes and housing values below the region or state's medians and are underserved by mainstream financial institutions.

Retail services are accessible to individuals of different income levels. Services are available at all bank locations. Services that the bank provides are detailed below.

- Five 24-hour drive-up ATMs, three of which are at the branch locations. Two are located at the Addison, Illinois branch in an upper-income census tract and the other in Berkeley, Illinois in a middle census tract. The other two ATMs are located in moderate-income tracts with one at a car dealership in Melrose Park, Illinois and the other at the Melrose Park Administration building also in Melrose Park, Illinois.
- NBC offers 24-hour, 7 days per week access to customer account information through a PC banking product and bank-by-phone. These services allows customers to transfer funds between bank accounts; verify account balances and activity; place a stop payment, and pay bills to third parties.
- The bank offers free checking to senior citizens and minor individuals. These accounts have no monthly maintenance fee, no check printing costs, and no usage fees.

NBC provides a good level of community development services, working with many community organizations in various capacities. In total, 17 bank officers and employees provide assistance, using their banking knowledge, to 25 community development organizations serving the AA. These organizations address the AA needs for affordable housing, business development, economic development, and social services to low- and moderate-income individuals. Some of the services provided include:

- One bank officer donates his time to a nonprofit affordable housing organization. This organization provides opportunities for home ownership to families and individuals.
- A bank employee provides assistance to an organization whose purpose is to assist low-income seniors, promote independent living, and minimize institutionalism, guardianship, or homelessness. Average income of seniors is \$12,500.

Fair Lending or Other Illegal Credit Practices Review

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