

LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

February 28, 2000

Community Reinvestment Act Performance Evaluation

Commerce Bank/Shore, N.A.
Charter Number: 21863

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NOTE: This evaluation is not, and should not 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 **Commerce Bank/Shore, N.A.** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 28, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders=equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

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

The following table indicates the performance level of **Commerce Bank/Shore, N.A.** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Commerce Bank/Shore, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- < An excellent record of originating loans to small businesses in moderate-income geographies
- < A good record of community development lending
- < A good overall record of distribution of home mortgage products to borrowers of different income levels
- < An adequate record of qualifying community development investments
- < A branch network with weekend hours at all locations providing good access to geographies and individuals of all income levels
- < A good record of providing responsive community development services

Description of Institution

Commerce Bank/Shore, N.A. (CB/Shore) is an intrastate bank headquartered in Forked River, New Jersey. CB/Shore is a wholly owned subsidiary of Commerce Bancorp, Inc., a \$6.6 billion bank holding company headquartered in Cherry Hill, New Jersey. CB/Shore has two operating subsidiaries: Shore Asset Management - a Delaware investment subsidiary, and First Bankers Corporation - a real estate subsidiary designed to hold OREO property. Neither of these subsidiaries has an impact on the bank's capacity for community reinvestment. Other national banks owned by the holding company include Commerce Bank, N.A., headquartered in Cherry Hill, NJ; Commerce Bank/Pennsylvania, N.A., headquartered in Philadelphia, PA; and Commerce Bank/Central, N.A., headquartered in Flemington, NJ. The CRA exams for each of these banks were conducted simultaneously, and each bank received credit for all home mortgage loans originated by affiliates in the assessment area of the bank under review. No loans were doubled counted.

CB/Shore provides a full range of retail and commercial services throughout Ocean and Monmouth Counties in New Jersey. These counties comprise the Monmouth/Ocean MSA #5190. CB/Shore operates 24 branches throughout its service area. All branch locations are equipped with an ATM and drive-through facilities except one. The lone exception is a walk-up facility without a lobby. There are also four remote ATM locations. The bank's primary businesses include community bank deposit and credit services.

In January, 1999, CB/Shore acquired Tinton Falls State Bank, increasing the size of the bank by approximately \$325 million and expanding its market to include the adjacent Monmouth County. As of December 31, 1999, CB/Shore had total assets of \$877 million with net loans of \$403 million and investments of \$388 million. The bank's loan mix is represented by residential mortgages \$54 million (13%), consumer loans \$103 million (25%), commercial real estate \$188 million (46%) and commercial loans \$64 million (16%). The balance sheet also reflects Tier 1 Capital of \$54.3 million. The bank's average loan-to-deposit ratio for the review period is 47.09%. As of June 30, 1999, CB/Shore had deposits of \$777 million, the majority of which were in Ocean County, where it ranked sixth in deposit market share.

There are no financial, legal or other matters that affect CB/Shore's ability to help meet the credit needs in its assessment area. CB/Shore's competitors include area banks, S&Ls, and other financial institutions. Primary competitors include First Union, Mellon, and PNC.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The lending test portion of this CRA evaluation included a review of home purchase, home improvement and home refinance loans as well as community development loans and small business loans originated or purchased in 1998 and 1999. The service test and investment test portions of this CRA evaluation were limited to a review of the bank's products, services and investments from the date of the last exam, April 1, 1998 through the end of 1999. CB/Shore's last CRA Public Evaluation, dated May 18, 1998, reviewed the bank's performance from January 1, 1996 to March 31, 1998. The bank was rated "Satisfactory".

The market share and peer lender comparisons contained in the lending test are based on the information contained in the aggregate HMDA and Small Business reports for 1998.

Data Integrity

The loan data relied upon for this analysis were verified for accuracy. Information from the bank's 1998 and 1999 HMDA Loan Application Register was reviewed and tested for accuracy by comparing it to loan file data. The bank's CRA small business lending data was also verified for accuracy by comparing submission data to information contained in the loan files. Although some data integrity problems were discovered in the small business loan data, those errors were corrected and the corrected data was used for the purposes of this analysis.

Selection of Areas for Full-Scope Review

CB/Shore has one assessment area which consists of two New Jersey counties in their entirety - Ocean and Monmouth Counties. Both of the counties are located within MSA 5190. A full scope review was conducted in this assessment area and the CRA rating was based entirely on the bank's performance in these two counties.

Other

As part of the joint CRA exams at the four affiliated Commerce Banks, several community organizations were contacted to determine area credit needs and identify opportunities for participation and investment by local banks. Contacts included: one community development organization organized to promote neighborhood economic growth through support of small businesses with a service area of all of southern New Jersey and Southeastern Pennsylvania (with the exception of Philadelphia County); one community development organization

headquartered in Philadelphia designed to increase financing opportunities for affordable housing in the City and all of southern and central New Jersey; one community organization serving the City of Trenton, NJ and surrounding areas which develops affordable housing and supports small businesses and neighborhood revitalization; and one New Jersey state-wide agency which acts as a funding source to stimulate economic development activity in urban areas. Also considered were the findings of two community contacts conducted in the bank's assessment areas one month prior to the start of the Commerce Bank examinations. These included one Community Development Financial Institution providing funding to small businesses in the City of Camden, New Jersey, and one Philadelphia-based non profit organization operating a small business incubator providing low-income residents with entrepreneurial skills.

Provision of technical support and funding for small and start-up businesses was frequently cited as a pressing community credit need. Support for affordable housing development was also identified as a need. Commerce Bank was specifically cited as being very supportive by four of the six organizations interviewed. It was also noted that small business customers of Commerce have been very pleased with Commerce's expanded weekend hours at all of their branches and feel this sets Commerce apart from the competition in terms of accessibility. None of the organizations contacted had anything negative to say about Commerce Bank.

Fair Lending Review

A review of the bank's home improvement loan product was conducted to test for compliance with antidiscrimination laws. Home improvement loans were selected for review due to the bank's strong market performance with this product. A comparative file review was performed. The loan files of declined black and Hispanic applicants were compared to the files of approved white applicants in order to determine if the different outcomes were based upon illegal disparate treatment in the credit decisioning process. No evidence of illegal discrimination was found. The bank conducts fair lending training annually and regularly monitors its own performance to ensure compliance with antidiscrimination laws.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "high satisfactory". Based on the full-scope review of the bank's only assessment area (Ocean and Monmouth Counties, New Jersey), the bank's performance is good.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

The bank's record of lending activity in its assessment area is good. Its ranking of sixth in deposit share in Ocean County, where the majority of the bank's deposits are located (Monmouth County was added to the assessment area in 1999), is close to its ranking of fifth for its most successful home mortgage product - home improvement loans. CB/Shore originated 3,324 loans in its assessment area during the review period. The loan products originated are fairly evenly distributed across product categories, with 752 home purchase loans, 959 home improvement loans, 967 home mortgage refinance loans and 640 small business loans. Four community development loans not otherwise reported as small business loans or home mortgage loans were also originated.

The bank is an active lender in its market, ranking fifth in the number of home improvement loans originated, tenth in the number of small business and home refinance loans originated, and fifteenth in the number of home purchase loans originated.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home purchase loans is adequate. The geographic distribution of home improvement loans is excellent and the geographic distribution of refinance loans is good.

The geographic distribution analysis is based primarily on the distribution of loans in moderate-income geographies because only 1% of all owner occupied units are located in low-income tracts and the bank made less than 1% of its loans in these tracts. CB/Shore generally displays a good record of geographic distribution of home mortgage loans. The geographic distribution of the bank's primary home mortgage loan product - home improvement loans - is particularly worth highlighting. The bank's overall market share for home improvement loans is 7.9%, but it captured 13.2% of the market in moderate-income census tracts. Twenty-eight percent of the bank's home improvement loans were originated in moderate-income census tracts, while only 23% of the owner occupied units in the assessment area are located in those tracts.

Similarly, the bank's geographic distribution of home mortgage refinance loans is also weighted toward moderate-income census tracts. The bank's overall market share for refinance loans is 2.4%, and it captured 2.8% of that market in moderate-income tracts. Twenty-two percent of the bank's refinance loans were originated in moderate-income census tracts, while 23% of the owner occupied units are located in those tracts.

For home purchase loans, the bank slightly under-performs the demographics of owner occupied housing in moderate-income census tracts, and its market share in moderate-income tracts is lower than its overall market share for home purchase loans. The bank did fairly well in moderate-income tracts, originating 18% of its loans there, compared to 23% of the owner occupied units located in those tracts.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The bank's geographic distribution of small business loans is excellent. Twenty

percent of the bank's small business loans were originated in moderate-income census tracts, while 17% of the assessment area's businesses are located in those tracts. Additionally CB/Shore's market share of small business loans in moderate-income tracts (3.1%) is higher than its overall market share of small business loans (2.2%). Only 2% of businesses are located in low-income tracts; less than 1% of the bank's small business loans were in those tracts.

Small Loans to Farms - Not Applicable

The assessment area is generally suburban, with few farms. The bank did not originate or purchase any farms loans during the review period, and our community contacts did not reveal any needs for agricultural lending.

Lending Gap Analysis

A review of lending patterns across the census tracts in the assessment area revealed no unexplained conspicuous gaps in the record of the bank's performance. A general lack of penetration of home mortgage loans into many census tracts across all income levels was observed in Monmouth County, but this county was a new market for the bank in 1999. Additionally, of the two counties, which make up CB/Shore's assessment area, Monmouth County accounts for less than one third of the bank's deposits.

Inside/Outside Ratio

The bank's record of lending within its assessment area is excellent. Ninety-eight percent of the number of home mortgage loans originated by CB/Shore were located within the bank's assessment area - representing 97% of the dollars of home mortgages. This analysis included all HMDA reportable loans originated by CB/Shore only, and did not include extensions of credit by affiliates. Eighty-eight percent of the number and dollar of small business loans originated by CB/Shore were within its assessment area, again excluding affiliate activity.

Distribution of Loans by Income Level of the Borrower ***Home Mortgage Loans***

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The bank's distribution of home purchase loans, home improvement loans and refinance loans by income level of borrower is good.

CB/Shore's distribution of home mortgage loans to borrowers of different income

levels exceeds its overall market share in each of the three loan categories. Also, for home improvement and refinance loans, the bank's record of lending to moderate-income borrowers exceeds the assessment area's demographics. The percentage of loans to low-income borrowers is less than area demographics for each loan category.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The bank has a good record of lending to small businesses. Seventy percent of the bank's small business loans were originated to businesses with revenues of \$1 million or less. This compares very favorably to other lenders in the market, where only 54% of all small business loans were to businesses with revenues of \$1 million or less. Seventy-seven percent of all businesses in the assessment area have revenues of \$1 million or less.

The bank's own portfolio is heavily weighted to smaller loans, with 64% of its originations being loans in the amount of \$100 thousand or less, and its market share of loans to businesses with revenues of less than \$1 million exceeds its overall market share.

Small Loans to Farms - Not Applicable

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

CB/Shore has a good record of community development lending. It originated four community development loans in its assessment area during the evaluation period for a total of \$13,320,000. These are loans that were not otherwise reported as small business loans or HMDA loans. All four of these loans financed the development of affordable housing. One of these loans was to a non-profit organization and was extended at a below market rate.

Product Innovation and Flexibility

In order to be responsive to the identified credit needs of low- and moderate-income first time homebuyers, Commerce Bancorp developed its First Step Affordable Mortgage Program. This portfolio mortgage product features a below market rate of interest, fixed for 30 years, with no points, a discounted application

fee, no private mortgage insurance for low-income borrowers, and flexible underwriting criteria. Across all of Commerce Bancorp's affiliated banks, over \$35 million in home purchase loans for first-time low- and moderate-income borrowers have been originated since the First Step program was initiated in 1994.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "low satisfactory". Based on the full-scope review of the bank's only assessment area (Ocean and Monmouth Counties, New Jersey), the bank's performance is adequate.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Investments outstanding aggregate \$3,232,000. Of this amount, one investment of \$50,000 was made during the previous evaluation period and remains outstanding. The prior period investment was to a community development loan fund serving the entire state of New Jersey, and represents continuing capacity by that organization to extend credit for community development purposes. Total qualifying investments made during the evaluation period total \$3,182,000. There are no unfunded commitments outstanding.

The bank's current qualified investments increased more than 200 percent as compared to the level of qualified investments at the previous examination. By comparison, the bank's assets only doubled since the last CRA examination.

Of the total investments, approximately \$1.6 million represents mortgage-backed securities (MBS). The underlying mortgages which secure these MBS Investments were also originated by the bank for low- and moderate-income borrowers. Recent proposed regulatory guidance issued by the Federal Financial Institutions Examination Council indicates that, in the future, these securities should not be given CRA investment test credit as the underlying originations have already received consideration under the lending test. Because the bank implemented this MBS investment strategy prior to the release of the proposed regulatory guidance, it will receive quantitative consideration during this review period. Therefore, although this investment has been included in Table 12, it has not been accorded significant weight in determining the bank's qualitative performance under the Investment Test.

As noted previously, community contacts noted opportunities for bank investments to support affordable housing. CB/Shore has been directly responsive to affordable

housing needs through its \$1.5 million investment in the New Jersey Housing & Mortgage Finance Agency and offers its First Step mortgage program for first-time homebuyers.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "high satisfactory". Based on the full-scope review of the bank's only assessment area (Ocean and Monmouth Counties, New Jersey), the bank's performance is good.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The bank's retail delivery systems are accessible to most areas of the assessment area. CB/Shore opened 13 new branch offices since the last CRA examination, expanding its retail network to 24 offices. The recent branch openings have enhanced the overall accessibility of bank services to all geographies of the assessment area including LMI census tracts. The bank offers extensive retail banking hours to meet the needs and convenience of all of its customers. The weekend branching hours in particular were commented upon positively by community contacts.

The distribution of branches and ATM's compares favorably to the geographies within the assessment area. All branch locations are equipped with an ATM and drive-through facilities except one. The lone exception is a walk-up facility without a lobby. There are also four non-branch ATM's within the assessment area. They are located at the Southern Ocean City Hospital, a Seaside Height's amusement area, the Forked River rest stop on the NJ Garden State Parkway and a super market in Ocean Township. As illustrated by Table 13, branch locations are distributed throughout the moderate-, middle- and upper-income census tracts. The distribution of branches compares similarly to the income level of the population within the assessment area.

The thirteen branch offices opened within the assessment area since March 31, 1998 include one in a moderate-income census tract, five in middle-income census tracts and seven in upper income census tracts. All of these branch openings

were a result of the bank's acquisition of Tinton Falls State Bank. There were no branch closings during the review period. The bank offers extended lobby and drive-in hours at all locations. All branches are open on Saturday and Sunday.

Traditional banking services are available to consumer and business customers at all branch locations. Deposit services are varied and range from low cost/minimum balance checking accounts for customers desiring basic services to checking accounts for customers over age 50. The bank offers a variety of personal, mortgage, home equity and credit card products, including programs to assist LMI borrowers with home ownership and improvement.

Community Development Services

CB/Shore offers a good level of community development services. Bank officers and staff have provided financial and technical expertise to various community service and development organizations through board and/or administrative and advisory positions. Beneficiaries include economic revitalization initiatives, affordable housing, small business development and day care/after school programs. The following is a listing of the bank's involvement in community development services.

Affordable Housing

- Brick Township Office of Affordable Housing - The local government established an office to promote an affordable housing program for low- and moderate-income families. CB/Shore assists this program by providing its First Step Affordable Mortgage for homebuyers. The bank provides homeownership counseling under this program and provides loan officers to take loan applications.
- OCEAN, INC. and County of Ocean Consortium First Time Homebuyer Program - Commerce Bank residential mortgage personnel provide homebuyer counseling services, including assistance with the county's downpayment and closing costs assistance program, to low- and moderate-income first time homebuyers. Residential mortgage personnel directly assist homebuyers to qualify for mortgage financing in these two programs.
- Monmouth Housing Alliance - This organization is a non-profit affordable housing developer that constructs housing for low- and moderate-income families. A Commerce Bank business development officer provides his technical knowledge to assist the association in obtaining affordable housing grants.
- Homes for All, Inc. - This is a private non-profit organization promoting

affordable, decent housing to low- and moderate-income families in the Ocean County region. Commerce is a corporate trustee and has provided line of credit financing for the general contractor for two affordable housing developments.

Small Business Development

- Toms River Basin Revitalization - This program provides funds for small businesses which are being attracted back to the Toms River Basin and Beechwood LMI areas which have experienced economic decline and high vacancy rates. The bank's Vice President/CRA Officer and local Commerce Bank president provided financial and technical assistance in establishing the program. CB/Shore, as a participating lender in the program, provides below-market rate financing for businesses.
- Ocean County Commercial Fishing Program - A bank Vice President serves on the Advisory Committee for this agency. This program is a joint lending function with Ocean County and provides below-market interest rates for small businesses to update and expand their commercial fishing operations, remain competitive, and economically viable.
- Lakewood Urban Enterprise Zone - CB/Shore's Senior Vice President represents the bank by participating in this urban enterprise zone program. It provides financial assistance to small and medium size businesses in the local community. The bank serves as a participating lender and the Senior Vice President represents the bank on the credit committee.

Revitalization and Stabilization of LMI Geographies

- Monmouth Ocean Development Council - This is a community-based organization of professional, business, and civic leaders who promote economic development, community involvement, and education in the Monmouth/Ocean County region. A bank Vice President serves on the Economic Development Committee, and provides expertise in specialized loan programs for small businesses.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered.

Time Period Reviewed	Lending Test: January 1, 1998 to December 31, 1999 Investment Test: April 1, 1998 to December 31, 1999 Service Test: April 1, 1998 to December 31, 1999	
Financial Institution	Products Reviewed	
Commerce Bank/Shore, N.A. ("CB/Shore") Forked River, New Jersey	Home purchase, home improvement, and home refinance loans. Small business and community development loans.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Commerce Bank, N.A. ("CB/NA")	Affiliate	All HMDA reportable loans
Commerce Bank/Pennsylvania, N.A. ("CB/PA")	Affiliate	All HMDA reportable loans
Commerce Bank/Central, N.A. ("CB/Central")	Affiliate	All HMDA reportable loans
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Ocean and Monmouth Counties, New Jersey in the Monmouth Ocean MSA #5190	Full-Scope	

Appendix B: Market Profiles for Full-Scope Areas

Ocean and Monmouth Counties

Description of Assessment Area

Demographic Information for full scope Area (MSA #5190)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (CTs)	234	4	19	44	29	3
Population by CTs	989,327	2	21	47	30	*
Owner Occupied Housing by Cts	282,989	1	23	46	30	0
Businesses by Cts	45,924	2	17	48	34	0
Farms by Cts	1,492	*	13	50	38	0
Family Distribution by Income level	268,329	18	19	24	38	0
Distribution of LMI throughout AA	99,718	4	36	46	15	0
Median Family Income	\$46,615	Median Housing Value		\$164,255		
HUD Adj. Median Family Income	\$59,800	Unemployment Rate		4.2%**		
Households below poverty	5.88%					

Note: Percentage may not equal 100% due to rounding

* Less than 1%

** 1999 data from the Bureau of Labor Statistics

The assessment area of CB/Shore is Ocean and Monmouth Counties in their entirety. These counties located along the Atlantic coast in south central New Jersey comprised the Monmouth/Ocean MSA 5190. In January 1999, CB/Shore acquired Tinton Falls State Bank, increasing the size of the bank by approximately \$325 million and expanding its market to include the adjacent Monmouth County. The population within the assessment area is concentrated within the eastern shore region, as the economic and employment base of the assessment area centers largely around shore tourism, retirement communities and suburban residential areas. The western portion of the assessment area is less populated

as it contains a large section of the New Jersey Pinelands. The assessment area has a total of 234 census tracts. The assessment area as delineated by CB/Shore meets regulatory guidelines and does not arbitrarily exclude any low- or moderate- (LMI) areas.

The assessment area as reflected in the table above is majority middle- and upper-income census tracts. Low- income areas are centered in Asbury Park and Long Branch, while moderate- income tracts reflect the continual growth of the senior citizens and retiree population through the assessment area. There are no large urban areas within the assessment area. The bank maintains a network of 24 retail branch offices throughout the assessment area.

The assessment area contains 438,271 housing units of which 65% is owner occupied, 19% rental units and 17% vacant units. The rate of vacant housing reflects the seasonal nature of the shore communities, where many second/vacation homes and rental properties are located. The weighted average median income of the assessment area is \$46,615. Employment opportunities within the assessment area centers around the retail, wholesale trade and service industries. There are also year round residents of Monmouth County who commute to New York City via rail service. Unemployment within the assessment area is 4.2%.

Through outreach efforts, the bank identified the need to provide credit services that allow development and expansion of small businesses, which results in additional employment opportunities and economic stability within the assessment area. In addition, other banking needs of small business operators are addressed through Cash Management and Business Banker services offered by the bank.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the "bank" include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and

upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the bank's percentage distribution with the percentage, of loans originated and purchased by all other small business reporters in the bank's assessment area to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the bank's percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's assessment area to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/assessment area. The table also presents data on branch openings and closings in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME													State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999	
MSA/Assessment Area:	% of Rated Area Deposits in MSA/assessment area*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans(#) in MSA/assessment area				
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)					
Full-Scope:																
Ocean and Monmouth Counties	100	2680	221895	640	87199	0	0	4	13320	3324	322414	100				

* Deposit data as of June 30, 1999.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE										State: State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Ocean and Monmouth Counties	1	0	23	18	46	56	30	26	15	1.7	1.1	1.2	1.7	1.9	752	100

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home purchase loans originated and purchased in the MSA/assessment area as a percentage of all home purchase loans originated and purchased in the rated area.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT				State: New Jersey				Evaluation Period: January 1, 1998 to December 31, 1999								
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Ocean and Monmouth Counties	1	0	23	28	46	60	30	12	5	7.9	0	13.2	9.6	2	959	100

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home improvement loans originated and purchased in the MSA/assessment area as a percentage of all home improvement loans originated and purchased in the rated area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE				State: New Jersey				Evaluation Period: January 1, 1998 to December 31, 1999								
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Ocean and Monmouth Counties	1	0	23	22	46	62	30	16	10	2.4	1.5	2.8	2.3	2.4	967	100

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home mortgage refinance loans originated and purchased in the MSA/assessment area as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES										State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Ocean and Monmouth Counties	2	0	17	20	48	58	34	22	10	2.2	0	3.1	3.2	0.5	640	100

(*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

(**) Small loans to businesses originated and purchased in the MSA/assessment area as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS										State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Ocean and Monmouth Counties	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

(*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(**) Small loans to farms originated and purchased in the MSA/assessment area as a percentage of all small loans to farms originated and purchased in the rated area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE																	State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999				
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans								
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***							
Full-Scope:																							
Ocean and Monmouth Counties	18	8	19	17	24	28	38	47	15	1.7	1.9	1.7	2.2	2.3	752	100							

(*) As a percentage of loans with borrower income information available.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home purchase loans originated and purchased in the MSA/assessment area as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT																	State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999				
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans								
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***							
Full-Scope:																							
Ocean and Monmouth Counties	18	11	19	20	24	34	38	35	5	7.9	10.8	10.4	9.4	6	959	100							

(*) As a percentage of loans with borrower income information available.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home improvement loans originated and purchased in the MSA/assessment area as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				State: New Jersey				Evaluation Period: January 1, 1998 to December 31, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
Full-Scope:																
Ocean and Monmouth Counties	18	7	19	22	24	31	38	40	10	2.4	2.8	3.3	3.8	2.8	967	100

(*) As a percentage of loans with borrower income information available.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home mortgage refinance loans originated and purchased in the MSA/assessment area as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				State: New Jersey				Evaluation Period: January 1, 1998 to December 31, 1999			
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Loans To Businesses		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total*****	
Full-Scope:											
Ocean and Monmouth Counties	77.43	70	54	64	22	14	2.17	3.21	640	100	

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.

(**) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

(***) The market consists of all other Small Business reporters in the MSA/assessment area and is based on 1998 Aggregate Small Business Data only.

(****) Based on 1998 Aggregate Small Business Data only.

(*****) Small loans to businesses originated and purchased in the MSA/assessment area as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS			State: New Jersey			Evaluation Period: January 1, 1998 to December 31, 1999				
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans	
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total*****
Full-Scope:										
Ocean and Monmouth Counties	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- (*) Farms with revenues of \$1 million or less as a percentage of all farms.
- (**) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms.
- (***) The market consists of all other Small Farm reporters in the MSA/assessment area and is based on 199X Aggregate Small Farm Data only.
- (****) Based on 1998 Aggregate Small Farm Data only.
- (*****) Small loans to farms originated and purchased in the MSA/assessment area as a percentage of all small loans to farms originated and purchased in the rated area.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		State: New Jersey		Evaluation Period: January 1, 1998 to December 31, 1999					
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$-s	#	\$ (000's)
Full-Scope:									
Ocean and Monmouth Counties	1	50	13	3182	14	3232	100	0	0

- (*) Prior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.
- (**) Unfunded Commitments means legally binding investment commitments reported on the Report of Condition Schedule-L Off Balance Sheet Items.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				State: New Jersey				Evaluation Period: January 1, 1998 to December 31, 1999									
MSA/Assessment Area:	Deposits	Branches				Branch Openings/Closings				Population							
	% of Rated Area Deposits in MSA/assessment area	# of BANK Branches	% of Rated Area Branches in MSA/assessment area	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Ocean and Monmouth Counties	100	24	100	0	21	46	33	0	13	0	1	5	7	2	21	47	30