



SMALL BANK

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

PUBLIC DISCLOSURE

July 31, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Commerce National Bank
Charter Number 23092**

**534 Marsailles Road
Versailles, KY 40383**

**Comptroller of the Currency
Louisville Field Office
9200 Shelbyville Road, Suite 505
Louisville, KY 40222**

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 document is an evaluation of the Community Reinvestment Act (CRA) performance of Citizens Commerce National Bank in Versailles, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 31, 2006. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This institution is rated Satisfactory.

Major Conclusions:

- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The average loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

Citizens Commerce National Bank (CCNB) is a full-service intrastate bank located in Versailles, Kentucky, approximately 70 miles east of Louisville and 15 miles west of Lexington. CCNB is wholly owned by Citizens Commerce Bancshares, Inc., a one-bank holding company. It opened in November of 1996. As of June 30, 2006 the bank had \$221 million in total assets, \$182 million in deposits, \$176 million in loans, and \$18 million in Tier One Capital. The bank offers traditional banking products and services and operates from two offices located in the city of Versailles. Each facility is full service and has an ATM machine. CCNB also maintains an ATM machine at the Quebecor plant and the Falling Springs Arts and Recreational Center, in Woodford County.

The bank's primary lending focus is business loans and home mortgage loans. CCNB also makes loans to consumers in the area. As of June 30, 2006 net loans represented approximately 80% of the bank's average assets. The loan portfolio mix is as follows: business-purpose loans 35%, 1-4 family residential loans and equity lines 28%, construction and development loans 15%, farmland and agricultural production loans 14%, consumer loans 5%, multifamily dwelling loans 2%, and miscellaneous other loans 1%. CCNB also originates home mortgage loans to local borrowers and sells them in the secondary market. Since January 1, 2004 CCNB has made 169 secondary market loans totaling \$21.3 million.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed December 11, 2001. The bank received a rating of Satisfactory. The coverage period for this evaluation is from December 31, 2001 to July 31, 2006.

DESCRIPTION OF ASSESSMENT AREA

CCNB has identified Woodford County as its assessment area (AA) for CRA purposes. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA is part of the Lexington-Fayette County, KY Metropolitan Statistical Area (MSA). The bank's offices are located within the city limits of Versailles, in the central part of Woodford County.

The 2000 U.S. Census divides the assessment area into five census tracts (CTs), designating three middle-income and two upper-income. No census tracts are designated low-income or moderate-income. This designation is based on the Lexington-Fayette County, KY MSA 2000 Census Median Family Income of \$51,365.

Our analysis of the borrower distribution of loans compares loans originated in 2004, 2005 and year-to-date 2006 to the 2000 U.S. Census demographic information. In our analysis of the borrower distribution of loans, the four income level designations are based on the Department of Housing and Urban Development (HUD) estimate of the Lexington MSA's 2006 Median Family Income of \$61,800.

According to the 2000 U.S. Census, the population of the assessment area is 23,208. Of the assessment area's 8,925 households, 8% are below the poverty level and 22% receive social security benefits. The assessment area's median family income is \$57,798, according to the 2000 U.S. Census. Woodford County is ranked among the most affluent in the state.

Woodford County's only significant area of population is the city of Versailles, with 7,511 residents. The remainder of the county is rural in nature, with a number of horse farms and a few tobacco and cattle farms. Several residential subdivisions are located throughout the county. The economy of the assessment area is thriving. Woodford County's largest private employers are Quebecor World, OSRAM Sylvania, United L-N Glass, and YH America Inc. Over 54% of residents commute to neighboring counties for employment. Major employers in the MSA include the University of Kentucky, Toyota Motor, Lexmark, Eastern Kentucky University, Johnson Controls, and Trane.

The unemployment rate for the Woodford County labor market is low. According to the Kentucky Office of Employment and Training, the unemployment rate is 4.5% as of June 2006, comparing favorably to the statewide rate of 6.1%

Five commercial banks operate offices in Woodford County. CCNB has a 39% market share of deposits (FDIC). In the entire Lexington-Fayette County, KY MSA, 34 banks and savings institutions operate 179 offices in competition for the MSA's \$6.7 billion in deposits. The top six banks control almost 60% of the market. CCNB has a 2% market share of deposits in the MSA. Consumer credit needs are also served by several large credit unions and nontraditional financing sources.

A community contact familiar with the area's credit needs indicated all local banks are active in the community and actively provide financing for residential construction and other projects. The contact did not identify any credit needs not being addressed by the banks or through other sources.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

CCNB is subject to data collection and reporting under the Home Mortgage Disclosure Act (HMDA). To assess the accuracy of the bank's HMDA data collection and reporting processes, we conducted an independent review and found material errors in the calendar year 2005 and year to date 2006 data. Therefore, we were unable to use the bank's HMDA data in this review, and our conclusions are based on loan sampling.

Lending in Assessment Area

A majority of loans and other lending-related activities are in CCNB's assessment area. The analysis shows borrowers inside the assessment area received 75% of the number and 84% of the dollar amount of sampled loan originations. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans originated since January 1, 2004. See the table below for details.

	Number of Loans				Total	Dollars of Loans (000's)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	15	75.00%	5	25.00%	20	\$2,034	83.77%	\$394	16.23%	\$2,428

* Source of data is randomly selected sample of loans originated between January 1, 2004 and July 31, 2006.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. CCNB's average net loan-to-deposit (L/D) ratio for the 19 quarters since the last CRA public evaluation is 99.86%. The ratio has ranged from a low of 96.01% as of March 31, 2006 to a high of 103.68% as of June 30, 2004.

We compared CCNB to six similarly situated banks operating in markets comparable to CCNB's market. These banks are comparable to CCNB in asset size, deposit size, and major lending products. The average L/D ratios of these banks for the period under review range from 75% to 100%, as shown in the chart below. Collectively they average 92%. CCNB's average L/D ratio is comparable to these similarly situated banks.

Institution	Average
CCNB	99.86%
Bank #1	75.35%
Bank #2	90.84%
Bank #3	92.08%
Bank #4	95.06%
Bank #5	98.10%
Bank #6	100.09%

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

The distribution of loans, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans from each of the bank's two primary loan types. Primary loan types were determined by reviewing the number and dollar amount of loans outstanding. The primary loan types identified for this analysis were 1-4 family residential mortgage loans and business loans. Loans in the sample were originated from January 1, 2004 to July 31, 2006. See the tables below for details.

Tables 2a and 2b show the percentage of CCNB's home mortgage loans to low- and moderate-income borrowers exceeds the percentage of families in the assessment area with low- and moderate-income. Low-income borrowers received 30% of the number of home mortgage loans and moderate-income borrowers received 20% of the number of home mortgage loans. According to the 2000 U.S. Census, 15% of the families in CCNB's assessment area are low-income and 17% are moderate-income. CCNB's home mortgage lending is reasonable considering the identified home mortgage credit needs in the community.

Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
	14.65%	30.00%	17.31%	20.00%	21.90%	10.00%	46.14%	40.00%

* Source of bank data is randomly selected sample of 1-4 family residential mortgage loans originated between January 1, 2004 and July 31, 2006. Source of demographic comparator data is 2000 U.S. Census.

Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Dollar Amount of Loans	% of AA Families	% of Dollar Amount of Loans	% of AA Families	% of Dollar Amount of Loans	% of AA Families	% of Dollar Amount of Loans
	14.65%	17.19%	17.31%	6.55%	21.90%	4.74%	46.14%	71.52%

* Source of bank data is randomly selected sample of 1-4 family residential mortgage loans originated between January 1, 2004 and July 31, 2006. Source of demographic comparator data is 2000 U.S. Census.

Table 2c shows the percentage of CCNB's business loans made to firms with \$1 million or less annual revenue exceeds the percentage of businesses in the assessment area reporting \$1 million or less annual revenue. CCNB's business lending is reasonable, considering the identified business credit needs in the community.

Table 2c – Borrower Distribution of Loans to Businesses in Woodford County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61.89%	3.53%	34.58%	100%
% of Bank Loans in AA by #	80.00%	20.00%	0.00%	100%
% of Bank Loans in AA by \$	82.68%	17.32%	0.00%	100%

* Source of bank data is a randomly selected sample of business-purpose loans originated between January 1, 2004 and July 31, 2006. Source of demographic comparator data is Dunn and Bradstreet.

Geographic Distribution of Loans

The focus of this analysis is to analyze the bank’s geographic distribution of lending among low-, moderate-, middle-, and upper-income geographies. Since the census tracts in Woodford County are all designated middle-income or upper-income, an analysis of the bank’s loan distribution by geographies would not provide a meaningful analysis.

Responses to Complaints

CCNB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices. We performed a comparative file analysis of consumer loans and reviewed consumer disclosures to determine compliance with fair lending laws and regulations. The analysis compared consumer loan denials of single female applicants to consumer loan approvals of single male applicants during the sampling period of January 1, 2006 to July 31, 2006. Underwriting decisions were evaluated to determine whether credit consideration given single female applicants was consistent with credit consideration given single male customers. No violations of the substantive provisions of federal anti-discrimination laws and regulations were identified.