



LARGE BANK

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

Public Disclosure

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Community Reinvestment Act
Performance Evaluation

Commerce Bank/Harrisburg National Association
Charter Number: 22765

100 Senate Avenue
Camp Hill, PA 17011

Office of the Comptroller of the Currency

Mid-size Banks - Blue
440 South LaSalle Street 2700
Chicago, IL 60605

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, 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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Overall CRA Rating

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

The following table indicates the performance level of **Commerce Bank/Harrisburg National Association** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Commerce Bank/Harrisburg National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	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:

- Commerce's lending activity is adequate in its assessment area (AA);
- A substantial majority of Commerce's loans were originated its AA;
- Geographic distribution of loans is adequate;
- Borrower distribution of home mortgage loans is adequate;
- Borrower distribution of small loans to businesses is excellent;
- Commerce has made an adequate level of qualified investments;
- Commerce's service delivery systems are accessible to geographies and individuals of different income levels; and
- Commerce provides a good level of community development services.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental 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.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited 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, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. 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 Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Commerce Bank/Harrisburg, N.A. (Commerce) is an independent banking institution headquartered in Camp Hill, Pennsylvania. The bank has offices located in the south central Pennsylvania counties of Berks, Cumberland, Dauphin, Lebanon, and York. Commerce is a retail intrastate bank with 24 full service branches and three loan production offices. All of the branches also have on-site ATMs. In addition, Commerce maintains off-site ATMs at three locations.

Commerce is a wholly owned subsidiary of Pennsylvania Commerce Bancorp, Inc. (PCB), a one-bank holding company also headquartered in Camp Hill, Pennsylvania. As of September 30, 2004, PCB had total assets of \$1.2 billion. Pennsylvania Commerce Bancorp shares the Commerce "brand" with the Commerce Bancorp, Inc. network of banks headquartered in Cherry Hill, NJ.

Commerce is a community bank with primary products that include 1-4 family residential mortgages, small business lending, and commercial loans. Commerce has no operating subsidiaries. Commerce is a Preferred Lender for the U.S. Small Business Administration (SBA) in Pennsylvania. The bank's Preferred Lender status allows them to expedite the processing of SBA loan applications.

The bank continues to exhibit rapid growth. As of September 30, 2004, total bank assets of \$1.2 billion had increased nearly 26 percent from the prior year. Assets had nearly doubled since the completion of our prior Community Reinvestment Act examination in 2002. Total loans as of September 30, 2004 were \$622 million, an increase of 42 percent from the prior year. Total deposits increased nearly 26 percent from the prior year, to \$1.1 billion.

As of September 30, 2004, net loans and leases represented 52 percent of total assets. This loan portfolio comprises residential mortgages (28 percent), commercial loans (65 percent), and consumer loans (7 percent). Net Tier 1 Capital is \$74 million as of September 30, 2004. Competition in the area is very strong and includes local community banks, regional banks, national non-bank financial institutions, and mortgage companies.

Commerce's last Public Evaluation (PE) was dated January 28, 2002 and the overall CRA rating assigned was Satisfactory. Since the previous PE, Commerce has not closed any branches and has opened nine new branches. There are no financial or legal impediments to hinder Commerce's ability to help meet the credit needs of the communities it serves.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) and for loans to small businesses is from October 1, 2001 through December 31, 2003. The previous evaluation period was from January 1, 1999 to September 30, 2001. For community development loans, and the Investments and Services Tests, the evaluation period is from January 28, 2002 through January 3, 2005. The bank did not make any small farm loans and only one multifamily loan during the evaluation period. As such, we did not perform analyses of these loan types, as the data would not be meaningful.

For the HMDA and CRA lending data, it is important to note that our review covers two reporting periods—those loans which were reported using 1990 census data (2001-2002 loan originations/purchases) and those which were reported using 2000 census data (2003 loan originations/purchases). Due to the changes in the demographics from one census year to another, loan data for the two reporting periods was analyzed separately. The lending tables in appendix C reflect those changes.

Data Integrity

During October of 2004, the OCC examined Commerce's publicly filed information and registers to verify the accuracy of the data. These registers contain loan data for home mortgages and small businesses. We found 25 errors with the small business loan data. These errors did not materially affect the evaluation.

Selection of Areas for Full-Scope Review

We performed a full scope review of the Harrisburg MSA. This AA accounts for 74 percent of total bank deposits and approximately 61 percent of Commerce's home mortgage lending. The bank made 69 percent of its small loans to businesses in this AA. Consequently, we determined that this AA is representative of the bank's activities. Please refer to the table in Appendix B for additional information regarding this area.

The York MSA was selected for limited scope review. Approximately 23 percent of the bank's deposits and 35 percent of loans were originated in this AA.

The Berks MSA was selected for limited scope review, however an analysis of HMDA and small business lending in this AA was not performed due to the limited number of loans available for analysis.

Ratings

The bank's overall rating is based primarily on the full-scope review of the Harrisburg MSA. Home mortgage products received more weight in evaluating the Lending Test than small loans to businesses. Approximately 66 percent of the loans originated in the AA during the evaluation period were home mortgage loans, with small business loans accounting for 34 percent. No multifamily housing or farm loans were originated. Residential mortgages

originated were 67 percent of all loans in the Harrisburg MSA. Also, home purchase mortgages were given more weight in our analysis than home improvement loans and refinance mortgages. Home purchase loans represent 26 percent of the home mortgages in the AA. In the Harrisburg MSA they accounted for 29 percent of all home mortgage originations. Further, home purchase loans were identified as the primary credit need of the AA.

Other

During the examination we contacted a local housing counseling organization. This organization is involved in providing landlord-tenant counseling as well as assisting potential homeowners in obtaining affordable housing. The group primarily serves low- to moderate-income clients. We also reviewed a contact with a community development corporation that provides services for affordable housing and redevelopment projects. Our evaluation also included a review of those recent Performance Evaluations conducted by other financial regulatory agencies for banks doing business in the AAs. Based on our review, the Harrisburg MSA has the following needs, which we considered in our evaluation of Commerce's performance under the Lending, Investment, and Service Tests:

- safe, decent affordable housing;
- availability of consumer credit with reasonable interest rates; and,
- small business credit, which includes entrepreneurial credit and credit to minority- and women-owned businesses.

Our contacts believed that general banking and credit needs were being met in the AA. In particular, the contact believed that Commerce's impact in the AA was enhanced with the addition of branches in the downtown Harrisburg area, and Commerce key executives were singled out as being particularly responsive.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

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 Low Satisfactory. Based on full-scope reviews, the bank's performance in the Harrisburg MSA is adequate.

Lending Activity

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's lending activity. Commerce actively sells residential mortgages on the secondary mortgage market. Mortgage loans originated by Commerce are reported on the Loan Application Register of the purchasing institution if the purchasing institution makes the credit decision. The purchasing institutions of these originations made the final credit decision. During the evaluation period, Commerce originated, brokered, and sold an additional 2,065 residential mortgages totaling \$245 million that are not reflected in this evaluation.

HARRISBURG MSA

Lending activity in the Harrisburg MSA is adequate. The bank's lending patterns are generally reflective of the credit needs of the community. Approximately 63 percent of the bank's lending is done in this AA. The bank's lending to individuals is centered in HMDA products, 66 percent for this AA. Purchase, home improvement, and refinance loans represent 29 percent, 17 percent, and 54 percent, respectively, of all mortgages originated in this AA. The volume of multifamily loans made by the bank is not significant, therefore an analysis of these loans is not meaningful.

Small business credit is also an important credit need of the AA. Thirty-four percent of the bank's lending in the AA is in small loans to businesses. There is no small farm credit lending based on the credit demand at the bank.

Commerce has 15 branches and 74 percent of its deposits in this AA. In 2004, the U.S. Office of Management and Budget changed MSA boundaries. As a result, the Harrisburg/Lebanon/Carlisle MSA, as it existed in 2003, changed to the Harrisburg/Carlisle MSA in 2004, and Lebanon County became its own MSA in 2004. In the Harrisburg/Carlisle MSA, Commerce is ranked sixth for its market share of deposits, with an 8.29 percent market share as of June 30, 2004. In the Lebanon MSA, Commerce is ranked eighth for its market share, with 2.60 percent of the deposits.

Based on 2003 HMDA Peer Mortgage Data, Commerce ranked 20th out of 500 lenders, with a 1.55 percent market share. Several non-bank mortgage lenders and other large regional banks dominate the market.

Based on 2003 HMDA Peer Mortgage Data:

- Market share for home purchase, home improvement, and refinance loans is 1.57 percent, 5.42 percent, and 1.60 percent, respectively;
- For home purchase lending, Commerce ranked 19th out of 336 lenders;
- For home improvement lending, Commerce ranked 5th out of 126 lenders; and
- For home refinance lending, Commerce ranked 24th out of 416 lenders.

Based on 2003 Peer Small Business Data, Commerce ranked 13th out of 88 lenders.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3, 4 and 5 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 volume of multifamily loans made by Commerce is not significant, therefore an analysis of these loans is not meaningful.

Home purchase lending

The geographic distribution of home purchase loans is good. Based on both 1990 and 2000 U.S. Census data, the percentage of loans made in low-income geographies is near to the percentage of owner-occupied units in these geographies. The market share of home purchase loans in low-income geographies exceeds the bank's overall market share of home purchase loans in the AA.

Based on 1990 census data, the percentage of loans made in moderate-income geographies is somewhat lower than the percentage of owner-occupied units in these geographies. The market share of loans in these geographies is somewhat lower than the bank's overall market share of home purchase loans in the AA. Using 2000 census data, the percentage of loans made in moderate-income geographies equals the percentage of owner-occupied units in these geographies. The bank's market share in these geographies equals the bank's overall market share of home purchase loans in the AA.

Home improvement lending

The geographic distribution of home improvement loans is adequate. According to 1990 census data, the bank did not make any home improvement loans in low-income geographies. Based on 2000 census data, the percentage of loans made in low-income geographies is near to the percentage of owner-occupied units in these geographies. The market share of loans in these geographies exceeds the bank's overall market share of home improvement loans in the AA. Lending in these low-income tracts is hampered by the limited availability of housing units in the AA. Only 28 percent of housing units in low-income tracts in the AA are owner-occupied, thereby limiting opportunities for home ownership.

Based on 1990 census data, the percentage of loans made in moderate-income geographies is lower than the percentage of owner-occupied units in these geographies. The bank's market share of loans in moderate-income geographies is lower than the bank's overall market share of home improvement loans in the AA. Using 2000 census data, the percentage of

loans made in moderate-income geographies is somewhat lower than the percentage of owner-occupied units in these geographies. The bank's market share of loans in these geographies is lower than the bank's overall market share of home improvement loans in the AA. However, lending in these moderate-income tracts is also challenging as only 41 percent of housing units are owner-occupied, somewhat limiting opportunities for home ownership.

Home refinancing

The geographic distribution of home refinancing loans is adequate. According to 1990 census data, the bank did not make any home refinancing loans in low-income geographies. Based on 2000 census data, the percentage of loans made in low-income geographies is somewhat lower than the percentage of owner-occupied units in these geographies. The market share of loans in these geographies is near to the bank's overall market share of home refinance loans in the AA.

Based on 1990 census data, the percentage of loans made in moderate-income geographies is lower than the percentage of owner-occupied units in these geographies. The bank's market share of loans in these geographies is lower than the bank's overall market share of home refinance loans in the AA. Using 2000 census data, the percentage of loans made in moderate-income geographies is somewhat lower than the percentage of owner-occupied units in these geographies. The bank's market share of loans in these geographies is somewhat lower than the bank's overall market share of home refinance loans in the AA. However, lending in these moderate-income tracts is challenging, as only 41 percent of housing units are owner-occupied, somewhat limiting opportunities for home ownership.

Small Loans to Businesses

Refer to Table 6 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.

Geographic distribution of small loans to businesses is adequate. Based on 1990 U. S. census data, the percentage of Commerce's small loans to businesses in low-income geographies is somewhat lower than the percentage of businesses that are located in these geographies. Using 2000 census data, the percentage of loans to small businesses in low-income geographies is near to the percentage of businesses that are located in these geographies. In both census years, Commerce's market share of small loans to businesses in these geographies exceeds the bank's overall market share of small loans to businesses in the AA.

Based on both 1990 and 2000 census data, the percentage of small loans to businesses in moderate-income geographies is somewhat lower than the percentage of businesses that are located in those geographies. Commerce's market share of small loans to businesses in these geographies is somewhat lower than the bank's overall market share of small loans to businesses in the AA.

Lending Gap Analysis

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in Commerce's lending patterns.

Inside/Outside Ratio

We performed an analysis of Commerce's lending within its AAs at the bank level as opposed to the individual AA levels. Commerce originated a substantial majority of its home mortgage loans and small loans to businesses within the bank's AAs. For HMDA products, 94 percent of all loan originations during the evaluation period were within the bank's AAs. For small loans to businesses, 52 percent of the loans originated during the evaluation period were within the bank's AAs. This performance factored positively into the overall analysis of the geographic distribution of lending by income level of geography.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution for home mortgage lending is adequate when considering the difficulty that low- and moderate-income individuals have in purchasing a home in the AA. The median cost of housing in the AA has increased significantly as compared to the increase in median family income levels.

Using 1990 census data, the median cost of housing in the AA is \$73,834. The HUD updated median family income for 2002 is \$55,400. A low-income individual earns less than \$27,700. A moderate-income individual earns at least \$27,700 but less than \$44,320. Additionally, 8 percent of the households are below the poverty level. According to 2000 census data, the median cost of housing in the AA has risen to \$103,049. The HUD updated median family income for 2003 is \$59,600. A low-income individual earns less than \$29,800. A moderate-income individual earns at least \$29,800 but less than \$47,680. Additionally, 8 percent of households are below the poverty level.

Home purchase lending

Borrower distribution for home purchase lending is adequate. According to 1990 census data, the percentage of home purchase loans made to low-income borrowers in the AA is significantly lower than the percentage of low-income families in the AA. Commerce's market share of loans to low-income borrowers is lower than the bank's overall market share of home purchase loans. This performance is adequate when considering the affordability of housing for a low-income individual as discussed above. In the low-income tracts in the AA, 37 percent of households have income below the poverty level and the median family income is \$14,845, meaning that a low-income individual in these tracts earns less than \$7,423.

Using 2000 census data, the percentage of home purchase loans made to low-income borrowers in the AA is lower than the percentage of low-income families in the AA. Commerce's market share of loans to low-income borrowers is somewhat lower than the bank's overall market share of home purchase loans. This performance is adequate when considering the affordability of housing for a low-income individual. In the low-income tracts in the AA, 33 percent of households have income below the poverty level and the median family income is \$20,885, meaning that a low-income individual earns less than \$10,443.

According to 1990 census data, the percentage of home purchase loans made to moderate-income borrowers in the AA exceeds the percentage of moderate-income families in the AA. Commerce's market share of loans to moderate-income borrowers is near to the bank's overall market share of home purchase loans. Using 2000 census data, the percentage of loans made to moderate-income borrowers in the AA is lower than the percentage of moderate-income families in the AA. Commerce's market share of loans to moderate-income borrowers is somewhat lower than the bank's overall market share of home purchase loans. This performance is adequate when considering the affordability of housing for a moderate-income individual. In the moderate-income tracts in the AA, the median family income is \$20,885, meaning that a moderate-income individual earns at least \$10,443 but less than \$16,708.

Home improvement lending

Borrower distribution of home improvement lending is good when considering the affordability of housing in the AA, as described above. According to 1990 census data, the percentage of home improvement loans made to low-income borrowers in the AA equals the percentage of low-income families in the AA. Commerce's market share of loans to low-income borrowers in the AA is near to the bank's overall market share of home improvement loans. Using 2000 census data, the percentage of home improvement loans made to low-income borrowers in the AA is somewhat lower than the percentage of low-income families in the AA. Commerce's market share of loans to low-income borrowers in the AA is somewhat lower than the bank's overall market share of home improvement loans.

Based on 1990 census data, the percentage of home improvement loans made to moderate-income borrowers in the AA is somewhat lower than the percentage of moderate-income families in the AA. Commerce's market share of loans to moderate-income borrowers in the AA is somewhat lower than the bank's overall market share of home improvement loans. Using 2000 census data, the percentage of loans made to moderate-income borrowers in the AA is near to the percentage of moderate-income families in the AA. Commerce's market share of loans to moderate-income borrowers in the AA is near to the bank's overall market share of home improvement loans.

Home refinancing

Borrower distribution of home refinance lending is adequate. According to both the 1990 and 2000 census data, the percentage of home refinance loans made to low-income individuals is significantly lower than the percentage of low-income families in the AA. Commerce's market share of loans to low-income borrowers is near to the bank's overall market share of home refinance lending. This performance is adequate when considering the affordability of housing for a low-income individual, as described above.

Based on 1990 census data, the percentage of home refinance loans to moderate-income borrowers in the AA is somewhat lower than the percentage of moderate-income families in the AA. Commerce's market share of loans to moderate-income borrowers in the AA is near to the bank's overall market share of home refinance loans. Using 2000 census data, the percentage of home refinance loans to moderate-income borrowers in the AA is near to the percentage of moderate-income families in the AA. Commerce's market share of loans to moderate-income borrowers is near to the bank's overall market share of home refinance loans. This performance is adequate when considering the affordability of housing for moderate-income individual, as described above.

Small Loans to Businesses

Refer to Table 11 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 borrower distribution of small loans to businesses is excellent. According to 1990 census information, small loans to small businesses (businesses with revenues of \$1 million or less) represents 72 percent of all small loans to businesses originated by Commerce, as compared to 61 percent of the businesses within the AA defined as such. Using 2000 census data, small loans to small businesses represents 69 percent of all small loans to businesses originated by Commerce, as compared to 60 percent of the businesses within the AA defined as such. For both 1990 and 2000 census data, the market share for small loans made to small businesses substantially exceeds Commerce's overall market share. The distribution by size of loan shows that a majority of the loan originations are for \$100,000 or less. This is another indication that business lending is primarily to small businesses.

Community Development Lending

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

Community development (CD) lending had a neutral impact on the Lending Test and the originated loans were responsive to the needs of the AA.

We determined through our community contacts and our internal research that limited opportunities for community development lending exist within the AA due to the competition for these types of loans. Competition for these loans is very strong from both large regional financial institutions and other community banks operating in the area.

We noted the following CD loans for the evaluation period:

- a loan for \$99,000 to purchase and renovate a ten-unit apartment building in a low-income census tract to provide low- and moderate-income housing opportunities; and,
- a loan for \$574,000 for a 25-unit low- and moderate-income housing project for seniors in a moderate-income census tract.

Product Innovation and Flexibility

Product innovation and flexibility had a neutral impact on the Lending Test conclusion. The bank offers standard loan products including first-time homebuyer's programs with reduced fees, and down payment and/or closing cost assistance for LMI individuals. Commerce implemented the Helping Hand loan program in August 2004. This program offers closed-end, fixed-rate home improvement loans for owner-occupied properties offered to low- to moderate-income households. As of our evaluation date, no loans had been originated under the Helping Hands program.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the York MSA is not inconsistent with the bank's overall Low Satisfactory performance under the lending test. In the Berks MSA, Commerce's performance under the Lending Test was not evaluated due to the bank's recent presence in the MSA and the absence of a significant number of loans available for analysis. Refer to Tables 1 through 13 in appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "Low Satisfactory." Based on full-scope reviews, the bank's performance in the Harrisburg MSA is adequate.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Investments in the AA are adequate, considering the strong competition for CD investments in the AA. During the evaluation period, Commerce committed to one new investment totaling \$300,000 in their AA. We determined through our community contacts and our internal research that there is very strong competition for investment opportunities. This new investment addressed the identified need of small business credit.

The new investment was accomplished by the bank's investment in a licensed Small Business Investment Company (SBIC) that focuses on healthcare. Commerce's initial investment of \$150,000 was completed during the evaluation period, with an additional unfunded investment of \$150,000 committed to the SBIC.

Also, 34 qualified grants and donations, totaling \$247,000, were made in this AA. These grants and donations made during the evaluation period were to local non-profit organizations for various CD initiatives throughout the AA.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Berks MSA and the York MSA is weaker than the bank's overall performance. Refer to Table 14 in appendix C for the facts and data that support these conclusions. Again the bank's limited presence and heavy competition in those areas are the reasons for their weaker performance. This had no impact on the overall rating for the Investment Test.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated High Satisfactory. Based on a full-scope review, the bank's performance in the Harrisburg MSA is good.

Retail Banking Services

Refer to Table 15 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.

Commerce's service delivery systems are accessible to individuals and geographies of different income levels in its AA. In the Harrisburg MSA, Commerce operates an ATM at each of its 17 branch locations. In addition, offsite ATMs are located at the Harrisburg Area Community College and the Commerce Ball Park in this MSA.

Commerce's hours and services offered throughout the entire AA are excellent and tailored to meet the convenience and need of the AA. With the exception of the Downtown Harrisburg branch, hours and services do not vary among the branches, including the availability of loan officers for all loan products, and are comparable among locations regardless of the income level of the geography. Banking hours and services are provided seven days a week at all branches. The Downtown Harrisburg branch has no drive-through service but offers extended hours in its lobby area.

Commerce offers a no minimum balance checking account, called "Free Consumer Checking", to customers, including those that are low- and moderate-income, which allows these individuals to maintain regular checking accounts. There are no other maintenance or check-writing fees associated with the Free Consumer Checking account.

Commerce offers the First Step Mortgage, which is specifically designed for low-to-moderate income families. To be eligible for this program, the borrower must meet the guidelines prescribed by the Department of Housing and Urban Development (HUD) for Pennsylvania. The First Step Mortgage program offers flexible down payment options and a low down payment requirement.

Commerce Bank has agreed to become a Partner Financial Institution with the Housing Authority of Dauphin County (HADC) and offers the Family Savings Account Program (FSA) for financially challenged individuals in Pennsylvania. FSA savers will generally save \$10-\$20 per week for two years. At the end of that period they may use the accumulated savings, plus a match as determined by the Commonwealth of Pennsylvania Department of Community and Economic Development, for a specific, predetermined use such as home-ownership, home repair, starting a business, and advanced education.

The bank also offers other delivery services as described below. However, no weight was placed on these other delivery services because a determination of the volume of use in low- and moderate-income geographies and by low- and moderate-income individuals is unavailable. These other delivery systems include Bank-by-Mail, Bank-by-Phone, and Online

Banking. Through these systems, a depositor can review transaction history, and make monetary transfers between Commerce accounts.

Commerce's branch openings have positively affected the accessibility of delivery systems within the MSA. Since our last PE, Commerce has opened seven new branches in this MSA. One of these branches is located in a moderate-income geography, four are located in middle-income geographies, and two are in upper-income geographies.

The bank has no branches in low-income geographies. A review of Commerce's branch network indicates that at least three of Commerce's branches are near to the low-income geographies in the MSA. The percentage of Commerce's branches within moderate-income geographies is somewhat lower than the percentage of the MSA's population living in these geographies.

Community Development Services

Commerce provides a good level of CD services. A good level of CD services exists in the Harrisburg MSA. Bank employees and officers were engaged in six organizations or programs providing technical and financial assistance that benefit low- and moderate-income individuals and economic development.

The following are the CD services provided by Commerce employees in the AA:

- One officer is the treasurer and other officers are members of the local chapter of a national service organization that participates in service projects that meet the needs of low- and moderate-income children and the elderly;
- One officer is the treasurer of a local senior housing agency that provides housing to seniors and low-income residents;
- Two officers serve on review committees of the local United Way. These committees distribute funds to organizations that provide community services targeted to low- and moderate-income individuals;
- A member of management serves on the board of the local economic development corporation, which supports business development in the area and provides loans for some business development projects;
- A member of management serves on the board of a local affordable housing agency that administers funds to assist with projects to house or provide home ownership to low-to-moderate income families; and,
- One officer serves as the chairman of the downtown improvement district authority involved in the redevelopment of downtown Harrisburg.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in the York MSA is not inconsistent with the bank's overall High Satisfactory performance under the Service Test. In the Berks MSA, the bank's performance is weaker than the bank's overall performance, however it should be noted that the bank's presence in this MSA was just established in the third quarter of 2003. Refer to Table 15 in appendix C for the facts and data that support these conclusions.

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. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): 10/01/2001 to 12/31/2003 Investment and Service Tests and CD Loans: 01/28/2002 to 01/03/2005	
Financial Institution	Products Reviewed	
Commerce Bank/Harrisburg, National Association Harrisburg, Pennsylvania	Home Mortgages, Small Loans to Businesses, CD Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Harrisburg MSA York MSA Berks MSA	Full Scope Limited Scope Limited Scope	HMDA lending not reviewed in Berks MSA due to volume of loans originated.

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Harrisburg MSA	B-2
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Harrisburg MSA

Demographic Information for Full-Scope Area: Harrisburg/Lebanon/Carlisle PA MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	117	3.42	15.38	68.38	12.82	0.00
Population by Geography	546,814	2.88	10.19	66.00	20.94	0.00
Owner-Occupied Housing by Geography	143,732	1.29	7.41	68.22	23.07	0.00
Businesses by Geography	47,580	1.84	16.47	58.78	22.91	0.00
Farms by Geography	1,591	0.06	4.59	80.14	15.21	0.00
Family Distribution by Income Level	147,629	15.41	18.89	27.91	37.79	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	50,516	5.08	15.85	66.60	12.47	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$37,389 = \$55,400 =8.03%	Median Housing Value Unemployment Rate			= \$73,834 =4.0%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census, and 2002 HUD updated MFI.

Demographic Information for Full-Scope Area: Harrisburg/Lebanon/Carlisle PA MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	131	4.58	22.14	54.20	19.08	0.00
Population by Geography	585,799	3.74	17.85	55.39	23.02	0.00
Owner-Occupied Housing by Geography	161,614	1.73	13.52	58.55	26.20	0.00
Businesses by Geography	47,665	3.01	17.43	60.58	18.97	0.00
Farms by Geography	1,684	0.36	4.04	77.97	17.64	0.00
Family Distribution by Income Level	155,644	17.27	19.10	24.05	39.58	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	56,603	6.79	23.68	55.94	13.58	0.00
Median Family Income HUD Adjusted Median Family Income for 2003 Households Below the Poverty Level	= \$51,892 = \$59,600 =7.96%	Median Housing Value Unemployment Rate			= \$103,049 =3.8%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census, and 2003 HUD updated MFI.

Commerce's AA includes portions of the Harrisburg/Lebanon/Carlisle PA MSA. This MSA includes Cumberland, Dauphin, Lebanon, and Perry counties in the south central region of Pennsylvania. Commerce has no banking facilities in Perry County and does not include this county in its AA. All other census tracts in the MSA are included in the bank's AA. In this MSA, Commerce operates in 117 census tracts according to 1990 U.S. Census Data, and in 131 census tracts according to 2000 U.S. Census Data. Included in these tracts is the state capital area of the Commonwealth of Pennsylvania. Commerce operates seventeen branches and two loan production offices in this MSA. With the exception of the Downtown Harrisburg branch, all offices have drive-up facilities. All offices have onsite ATMs, and two ATMs are located at offsite locations. All branches offer banking hours seven days a week.

In 2004, the U.S. Office of Management and Budget changed MSA boundaries. As a result, the Harrisburg/Lebanon/Carlisle MSA, as it existed in 2003, changed to the Harrisburg/Carlisle MSA in 2004, and Lebanon County became its own MSA in 2004. The FDIC/OTS Summary of Deposits Market Share Report for June 30, 2004 reflects this change in MSA boundaries. In the Harrisburg/Carlisle PA MSA, Commerce was ranked sixth for its market share of deposits and had 8.29 percent of the deposits. In the Lebanon MSA, Commerce was ranked eighth for its market share of deposits and had 2.60 percent of the deposits.

Banking competition is very strong for loans, deposits, CD loans and investments in the MSA, limiting opportunities for smaller institutions. Competition exists from national institutions, large regional institutions, community banks and large credit unions. Major banking competitors in the Harrisburg/Carlisle MSA include: Manufacturers & Traders Trust Company which ranked 1st in market share (15.51 percent) with 34 offices; Waypoint Bank which ranked 2nd in market share of deposits (15.44 percent) with 23 offices; and PNC Bank, N.A. which ranked 3rd in deposit market share (11.74 percent) with 29 offices. In the Lebanon, PA MSA, Lebanon Valley Farmers Bank ranked 1st in deposit market share (35.10 percent) with 13 offices; Wachovia Bank, N.A. ranked 2nd in market share of deposits (17.43 percent) with 7 offices; and Northwest Savings Bank ranked 3rd in deposit market share (13.91 percent) with 5 offices.

Commerce offers a traditional line of banking products for loans and deposits. The economy in the area is relatively stable. Major employers in the AA include the Highmark Blue Cross/Blue Shield, Pinnacle Health System, Hershey Foods Corporation, Milton S. Hershey Medical Center, Farmers Pride, Inc., Giant Food Stores, and numerous federal, state, and local governments, hospitals, and school districts.

During the examination we contacted a local housing counseling organization. This organization is involved in providing landlord-tenant counseling as well as assisting potential homeowners in obtaining affordable housing in the MSA. The group primarily serves low- to moderate-income clients. Based on our review, the Harrisburg MSA has the following needs, which we considered in our evaluation of Commerce's performance under the Lending, Investment, and Service Tests:

- safe, decent affordable housing;
- availability of consumer credit with reasonable interest rates; and,
- small business credit, which includes entrepreneurial credit and credit to minority- and women-owned businesses.

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 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 MA/assessment area. Tables without data are not included in this PE.

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 MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- 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 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 Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - This table is not applicable and not included due to the lack of bank loans.
- Table 6. 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 share information based on the most recent aggregate market data available. Because small business data are not available for geographic

areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table 7. Geographic Distribution of Small Loans to Farms** - This table is not applicable and not included.
- Table 8. 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 MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. 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. 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 12. Borrower Distribution of Small Loans to Farms** - This table is not applicable and not included.
- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - This table is not applicable and not included.
- Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. 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 be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or

“Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Qualified Investments” column.

Table 15. 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 MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: COMMERCE HARRISBURG				Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003						
MA/Assessment Area :	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:												
Commerce -Harrisburg-MSA 2001-2002	63.70	612	66,453	470	82,960	0	0	0	0	1,082	149,413	74.21
Commerce – Harrisburg MSA 2003	63.75	988	103,806	327	60,645	0	0	2	673	1,317	165,124	
Limited Review:												
Commerce -Reading MSA 2001-2002	0.35	2	292	4	1,476	0	0	0	0	6	1,768	2.62
Commerce –Reading MSA 2003	2.22	35	1,821	11	1,770	0	0	0	0	46	3,591	
Commerce -York MSA 2001-2002	35.95	406	42,083	207	24,155	0	0	0	0	613	66,238	23.17
Commerce –York MSA 2003	34.03	571	50,551	133	26,738	0	0	0	0	704	77,289	

* For 2001-2002, Loan Data as of December 31, 2002. For 2003, Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From January 28, 2002 to January 03, 2005.

*** Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 10000022765 COMMERCE BANK/HARRISBURG, NA

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
Commerce -Harrisburg-MSA 2001-2002	207	66.99	1.29	0.97	7.41	1.93	68.22	52.66	23.08	44.44	1.44	1.63	0.34	1.18	2.17	
Commerce – Harrisburg MSA 2003	227	59.89	1.73	1.76	13.52	14.10	58.55	44.49	26.20	39.65	1.57	1.79	1.54	1.32	1.98	
Limited Review:																
Commerce -Reading MSA 2001-2002	0	0.00	1.53	0.00	9.04	0.00	72.25	0.00	17.18	0.00	0.00	0.00	0.00	0.00	0.00	
Commerce –Reading MSA 2003	4	1.06	3.01	0.00	10.08	75.00	70.43	25.00	16.48	0.00	0.04	0.00	0.30	0.02	0.00	
Commerce -York MSA 2001-2002	102	33.01	1.22	0.00	6.15	1.96	86.18	82.35	6.45	15.69	0.96	0.00	0.20	0.95	1.55	
Commerce –York MSA 2003	148	39.05	1.50	4.05	5.60	4.73	84.99	71.62	7.91	19.60	1.31	4.69	0.93	1.12	3.05	

* For 2001-2002, based on 2002 Peer Mortgage Data: Northeast Region 2.. For 2003, based on 2003 Peer Mortgage Data (Eastern)

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: 1000022765 COMMERCE BANK/HARRISBURG, NA

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT															Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*													
	#	% of Total**	% 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									
Full Review:																								
Commerce -Harrisburg-MSA 2001-2002	106	64.24	1.29	0.00	7.41	2.83	68.22	51.89	23.08	45.28	2.82	0.00	1.10	2.00	5.72									
Commerce -Harrisburg MSA 2003	182	61.69	1.73	1.65	13.52	6.59	58.55	47.25	26.20	44.51	5.42	6.25	2.98	4.26	9.11									
Limited Review:																								
Commerce -Reading MSA 2001-2002	1	0.61	1.53	0.00	9.04	0.00	72.25	0.00	17.18	100.00	0.08	0.00	0.00	0.00	0.51									
Commerce -Reading MSA 2003	9	3.06	3.01	11.11	10.08	0.00	70.43	77.78	16.48	11.11	0.64	2.86	0.00	0.68	0.43									
Commerce -York MSA 2001-2002	58	35.15	1.22	1.72	6.15	0.00	86.18	87.93	6.45	10.35	2.37	0.00	0.00	2.39	4.03									
Commerce -York MSA 2003	104	35.25	1.50	3.85	5.60	1.92	84.99	82.69	7.91	11.54	5.67	18.18	2.33	5.49	7.55									

* For 2001-2002, based on 2002 Peer Mortgage Data: Northeast Region 2. For 2003, based on 2003 Peer Mortgage Data (Eastern).

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: 1000022765 COMMERCE BANK/HARRISBURG, NA

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
Commerce -Harrisburg-MSA 2001-2002	299	54.87	1.29	0.00	7.41	1.34	68.22	52.84	23.08	45.82	1.17	0.00	0.19	0.96	1.75	
Commerce -Harrisburg MSA 2003	579	62.94	1.73	0.69	13.52	7.08	58.55	47.84	26.20	44.39	1.60	1.65	1.18	1.40	2.03	
Limited Review:																
Commerce -Reading MSA 2001-2002	1	0.18	1.53	0.00	9.04	0.00	72.25	100.00	17.18	0.00	0.01	0.00	0.00	0.01	0.00	
Commerce -Reading MSA 2003	22	2.39	3.01	4.55	10.08	31.82	70.43	59.09	16.48	4.54	0.10	0.51	0.93	0.08	0.02	
Commerce -York MSA 2001-2002	245	44.95	1.22	0.41	6.15	1.22	86.18	88.98	6.45	9.39	1.23	1.06	0.59	1.25	1.32	
Commerce -York MSA 2003	319	34.67	1.50	0.94	5.60	4.39	84.99	79.31	7.91	15.36	1.18	1.84	1.45	1.10	1.72	

* For 2001-2002, based on 2002 Peer Mortgage Data: Northeast Region 2. For 2003, based on 2003 Peer Mortgage Data (Eastern)

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003					Market Share (%) by Geography*				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans						
Full Review:																
Commerce -Harrisburg-MSA 2001-2002	470	69.01	1.84	0.64	16.47	8.51	58.78	57.87	22.91	32.98	1.66	1.86	1.10	1.42	3.06	
Commerce –Harrisburg MSA 2003	327	69.42	3.01	2.14	17.43	12.84	60.58	60.86	18.98	24.16	2.80	4.43	2.33	2.98	2.81	
Limited Review:																
Commerce -Reading MSA 2001-2002	4	0.59	3.69	0.00	11.75	0.00	64.76	50.00	19.80	50.00	0.05	0.00	0.00	0.05	0.10	
Commerce –Reading MSA 2003	11	2.34	11.45	0.00	9.34	9.09	61.96	90.91	17.25	0.00	0.16	0.00	0.24	0.23	0.00	
Commerce -York MSA 2001-2002	207	30.40	7.51	1.93	9.77	10.14	75.18	80.19	7.54	7.74	1.02	0.63	0.91	1.13	0.82	
Commerce – York MSA 2003	133	28.24	9.09	6.02	9.84	5.26	73.44	80.45	7.63	8.27	1.91	1.66	1.09	2.04	2.45	

* For 2001-2002, based on 2002 Peer Small Business Data: US and PR. For 2003, based on 2003 Peer Small Business Data – US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2003).

Institution ID: 1000022765 COMMERCE BANK/HARRISBURG, NA

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003					Market Share [*]				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}						
Full Review:																
Commerce -Harrisburg-MSA 2001-2002	207	66.99	15.41	2.90	18.89	19.81	27.91	20.77	37.79	56.52	1.63	0.42	1.32	1.12	2.53	
Commerce -Harrisburg MSA 2003	227	59.89	17.27	5.53	19.10	17.05	24.05	18.43	39.58	58.99	1.72	1.45	1.07	1.55	2.50	
Limited Review:																
Commerce -Reading MSA 2001-2002	0	0.00	16.35	0.00	19.11	0.00	27.41	0.00	37.13	0.00	0.00	0.00	0.00	0.00	0.00	
Commerce -Reading MSA 2003	4	1.06	17.73	0.00	19.00	0.00	24.38	0.00	38.89	100.00	0.05	0.00	0.00	0.09	0.09	
Commerce -York MSA 2001-2002	102	33.01	15.34	4.95	19.53	10.89	28.69	34.65	36.44	49.51	1.08	0.77	0.48	1.18	1.44	
Commerce -York MSA 2003	148	39.05	15.97	6.80	19.58	23.13	27.05	27.21	37.40	42.86	1.50	1.96	1.56	1.20	1.58	

^{*} For 2001-2002, based on 2002 Peer Mortgage Data: Northeast Region 2. For 2003, based on 2003 Peer Mortgage Data (Eastern)

^{**} As a percentage of loans with borrower income information available. No information was available for 0.32% of loans originated and purchased by BANK.

^{***} For 2001-2002, percentage of Families is based on the 1990 Census information. For 2003, percentage of Families is based on the 2000 Census information.

^{****} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

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Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003					Market Share [*]				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}						
Full Review:																
Commerce -Harrisburg-MSA 2001-2002	106	64.24	15.41	15.24	18.89	16.19	27.91	26.67	37.79	41.90	2.91	2.68	1.94	2.38	3.91	
Commerce -Harrisburg MSA 2003	182	61.69	17.27	6.11	19.10	13.33	24.05	17.78	39.58	62.78	5.46	4.04	4.10	4.28	7.53	
Limited Review:																
Commerce -Reading MSA 2001-2002	1	0.61	16.35	0.00	19.11	100.00	27.41	0.00	37.13	0.00	0.08	0.00	0.36	0.00	0.00	
Commerce -Reading MSA 2003	9	3.05	17.73	12.50	19.00	0.00	24.38	25.00	38.89	62.50	0.59	0.44	0.00	0.75	0.95	
Commerce -York MSA 2001-2002	58	35.15	15.34	15.09	19.53	15.09	28.69	26.42	36.44	43.40	2.20	3.52	0.97	1.62	3.09	
Commerce -York MSA 2003	104	35.26	15.97	4.85	19.58	15.53	27.05	26.21	37.40	53.41	5.73	5.86	4.84	7.18	4.93	

^{*} For 2001-2002, based on 2002 Peer Mortgage Data: Northeast Region 2. For 2003, based on 2003 Peer Mortgage Data (Eastern)

^{**} As a percentage of loans with borrower income information available. No information was available for 3.64% of loans originated and purchased by BANK.

^{***} For 2001-2002, percentage of Families is based on the 1990 Census information. For 2003, percentage of Families is based on the 2000 Census information.

^{****} Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE															Geography: COMMERCE HARRISBURG					Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share [*]													
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	Overall	Low	Mod	Mid	Upp							
Full Review:																								
Commerce -Harrisburg-MSA 2001-2002	299	54.86	15.41	3.70	18.89	14.14	27.91	25.25	37.79	56.91	1.36	0.90	1.12	1.27	1.58									
Commerce -Harrisburg MSA 2003	579	62.93	17.27	3.30	19.10	14.06	24.05	22.05	39.58	60.59	1.90	1.86	1.75	1.62	2.17									
Limited Review:																								
Commerce -Reading MSA 2001-2002	1	0.18	16.35	0.00	19.11	0.00	27.41	0.00	37.13	100.00	0.01	0.00	0.00	0.00	0.02									
Commerce -Reading MSA 2003	22	2.39	17.73	4.55	19.00	18.18	24.38	18.18	38.89	59.09	0.13	0.07	0.16	0.11	0.14									
Commerce -York MSA 2001-2002	245	44.96	15.34	4.13	19.53	14.88	28.69	28.51	36.44	52.48	1.48	0.92	1.29	1.43	1.65									
Commerce -York MSA 2003	319	34.68	15.97	4.40	19.58	13.84	27.05	24.21	37.40	57.55	1.46	2.26	1.09	1.53	1.45									

^{*} For 2001-2002, based on 2002 Peer Mortgage Data: Northeast Region 2. For 2003, based on 2003 Peer Mortgage Data (Eastern).

^{**} As a percentage of loans with borrower income information available. No information was available for 0.92% of loans originated and purchased by BANK.

^{***} For 2001-2002, percentage of Families is based on the 1990 Census information. For 2003, percentage of Families is based on the 2000 Census information.

^{****} Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

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Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: COMMERCE HARRISBURG			Evaluation Period: OCTOBER 1, 2001 TO DECEMBER 31, 2003				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share ¹	
	#	% of Total ^{**}	% of Businesses ^{***}	% BANK Loans ^{****}	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Commerce -Harrisburg-MSA 2001-2002	470	69.01	61.16	71.70	51.06	28.94	20.00	1.66	4.62
Commerce -Harrisburg MSA 2003	327	69.42	59.94	68.81	52.60	25.08	22.32	2.80	5.75
Limited Review:									
Commerce -Reading MSA 2001-2002	4	0.59	63.98	75.00	25.00	25.00	50.00	0.05	0.13
Commerce -Reading MSA 2003	11	2.34	63.59	72.73	54.55	36.36	9.09	0.16	0.34
Commerce -York MSA 2001-2002	207	30.40	63.77	85.02	66.18	24.64	9.18	1.02	3.03
Commerce -York MSA 2003	133	28.24	62.81	71.43	47.37	28.57	24.06	1.91	3.91

¹ For 2001-2002, based on 2002 Peer Small Business Data: US and PR. For 2003, based on 2003 Peer Small Business Data -US and PR.

^{**} Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

^{***} Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

^{****} Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. For 2003, no information was available for 0.21% of small loans to businesses originated and purchased by the bank.

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Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: COMMERCE HARRISBURG									
Evaluation Period: JANUARY 28, 2002 TO JANUARY 3, 2005									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Commerce -Harrisburg-MSA	0	0	35	397	35	397	98.52	1	150
Limited Review:									
Commerce -Reading MSA	0	0	1	3	1	3	0.74	0	0
Commerce -York MSA	0	0	7	3	7	3	0.74	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 that are tracked and recorded by the institution's financial reporting system.

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Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: COMMERCE HARRISBURG				Evaluation Period: JANUARY 28, 2002 TO JANUARY 3, 2005									
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Commerce -Harrisburg-MSA	74.20	17	71	0.00	11.76	58.82	29.42	7	0	0	+ 1	+ 4	+ 2	2.88	10.19	66.00	20.94
Limited Review:																	
Commerce -Reading MSA	2.62	2	8	0.00	50.00	50.00	0.00	2	0	0	+ 1	+ 1	0	3.47	12.00	69.37	15.16
Commerce -York MSA	23.18	5	21	0.00	0.00	100.00	0.00	0	0	0	0	0	0	2.70	9.01	82.06	6.23