



Comptroller of the Currency
Administrator of National Banks

**LARGE
BANK**

Northeastern District
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Public Disclosure

May 18, 1998

Community Reinvestment Act Performance Evaluation

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

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Forked River, New Jersey 08731**

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 **Comptroller of the Currency**, the institution's supervisory agency, as of **May 18, 1998**. 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 C.F.R. 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.

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.

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.

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

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gender and the income of the applicants, the amount of the loan requested, and its disposition (e.g., approved, denied, withdrawn).

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 census tracts. 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.

Low-Income - Income levels that are less than 50% of the MFI.

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

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

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

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA RATING

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

The factors supporting the bank's overall rating include:

- ▶ a good responsiveness to credit needs within the assessment area;
- ▶ a high percentage (90%) of home mortgage and small business loans made within the assessment area;
- ▶ a good geographic distribution of all loans within the assessment area;
- ▶ a good distribution of loans among borrowers of different income levels and to businesses of different sizes;
- ▶ an adequate level of community development lending activity;
- ▶ reasonable use of flexible lending practices in order to serve assessment area credit needs;
- ▶ a poor level of investments throughout the assessment area;
- ▶ reasonable access to delivery systems throughout most of the assessment area; and,
- ▶ an adequate level of community development services provided.

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			
Needs to Improve			
Substantial Noncompliance		X	

* Note: The lending test is weighted more heavily than the investment and service tests in the overall rating.

DESCRIPTION OF INSTITUTION

Commerce Bank/Shore, N.A. (CB/Shore) is wholly-owned by Commerce Bancorp, Inc., a \$4.2 billion bank holding company headquartered in Cherry Hill, NJ. CB/Shore, a \$440 million institution as of March 31, 1998, provides retail and commercial banking services through ten retail branch offices in Ocean County, NJ. It currently has two offices in Toms River, and one office each in Barnegat, Bayville, Forked River, Jackson Township, Long Beach Island, Manahawkin, Manchester Township and Stafford. The bank's primary businesses include traditional community bank deposit and credit services.

As of March 31, 1998, CB/Shore's loan-to-deposit ratio was 36%, which is lower than both national and local peer bank averages. Over the past four years, the bank has experienced a average loan growth of 18.5% and an average core deposit growth of 14.0%. Management reported that two factors impact the loan-to-deposit ratio. These are: (1) the predominance of amortizing real estate and other consumer loans in the portfolio and (2) the sale of originated residential mortgages on the secondary market. Both of these issues cause the level of outstanding loans to be smaller than peer banks.

The following table compares the asset mix of CB/Shore to national banks of similar size and scope of operation and to local banks, as of March 31, 1998.

ASSET MIX			
	CB/Shore	National Peer	Local Peer
Loans	34%	62%	52%
Investments	54%	30%	41%
Other Assets	12%	8%	7%
Total	100%	100%	100%
Loan/Deposit Ratio	36%	74%	62%

Note: Percentages may not add to 100% due to rounding.

The following table portrays the principal loan mix of the bank.

TYPES OF DOMESTIC LOANS OUTSTANDING		
	Amount (\$000)	Percentage
Commercial Real Estate Loans	53,719	36.6%
Commercial Loans	20,139	13.6%
Consumer Loans		
Residential Mortgages	27,110	18.5%
Home Equity Loans and Lines	41,276	28.1%
Other Consumer Loans	4,671	3.2%
Total	146,915	100.0%

Note: Percentages may not add to 100% due to rounding.

There are no financial or legal obstacles that affect CB/Shore's ability to meet its community's credit needs.

CB/Shore's competition comes from area banks, savings and loans, and other financial institutions. The primary competitors include First Union, Mellon, and PNC.

DESCRIPTION OF ASSESSMENT AREA

CB/Shore has defined its assessment area as Ocean County, NJ, which is in the Monmouth-Ocean MSA #5190. The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income (LMI) areas. LMI is used throughout this document to describe low- or moderate-income individuals and/or census tracts. The assessment area has a total of 87 census tracts.

ASSESSMENT AREA DEMOGRAPHICS			
Designation	# Census Tracts	% of Total Tracts	% of Households Residing in the Census Tracts
Low	2	2%	2%
Moderate	24	28%	37%
Middle	57	66%	59%
Upper	3	3%	2%
N/A (a)	1	1%	0%
Total	87	100%	100%

Note: Percentages may not add to 100% due to rounding.

(a) There are a total of 87 census tracts in the assessment area; one tract has no income information.

More than 433,000 permanent residents populate the assessment area. Ocean County has one of the largest retirement populations in the nation. Also, since this is a beach community, during the summer months the population increases significantly.

The assessment area weighted average of median family income is \$46,615. As seen in the above table, 39% of households in the assessment area reside in LMI tracts. The median housing value in the assessment area is \$142,861. In addition, the median age of housing stock is 27 years. Total occupied housing units is 76%, with owner-occupied housing at 63% and rental occupied housing at 13%. Vacant housing units in the assessment area are 23%, which reflects the seasonality of the shore communities.

Unemployment rates have remained steady and low over the past two years at approximately 5%. The service, retail and construction-related industries are the major employers in the area. These businesses provide goods and services to the area's residential population. Also, many suburban office complexes have been built to support the office/service industry growth.

A number of CB/Shore offices are in the southern and central portion of the county, where many of the residents are retired senior citizens living on fixed incomes. Affordable housing (both owner occupied and rental) as well as micro and small business loans were described as primary credit needs by bank management and community contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

SCOPE OF EXAMINATION

This examination covered a time period from January 1, 1996 to March 31, 1998 for all HMDA, small business and community development loans. This bank was reviewed in conjunction with two affiliated banks (Commerce Bank, N.A. and Commerce/Pennsylvania, N.A.). HMDA, small business and community development loans originated by one of the above mentioned affiliates were counted as loans originated by CB/Shore for the purposes of this Performance Evaluation to the extent those loans benefitted CB/Shore's assessment area. In addition, qualified investments purchased over this time period and services provided were reviewed. Please refer to Appendix A of this Performance Evaluation for further details.

LENDING TEST

Lending Activity

Lending activity during the evaluation period reflects a good responsiveness to the credit needs of the assessment area. Geographic distribution is good, particularly in moderate-income areas where CB/Shore outperformed the market in percent origination of HMDA and small business loans. Lending activity also shows good income level distribution, particularly to low-income persons and to businesses with revenues of \$1 million or less. None of the lending activities or products reviewed were considered innovative or complex.

During this period, originations totaled 26.1% of average assets. As noted in the "Description of the Assessment Area" section of this Performance Evaluation, our community contacts and management discussions disclosed that affordable housing (both owner occupied and rental) as well as micro and small business loans are the principal credit needs of the assessment area. The bank has addressed this need by increasing the volume of small business lending throughout the evaluation period. Dollars loaned more than tripled from 1996 to 1997, and this trend continued into the first quarter of 1998. The trend in HMDA lending has been relatively stable for 1996, 1997 and the first quarter of 1998. The level of community development lending, as defined by the regulation, has been adequate over the past two years.

The distribution of assessment area originations since the previous examination appear in the following table.

ORIGINATIONS IN THE ASSESSMENT AREA DURING THE EVALUATION PERIOD (a)				
Loan Type	# of Loans	% of Total	\$ (000's)	% of Total
Home Mortgages (HMDA)	1,011	77.2%	53,465	61.1%
Small Business	296	22.6%	32,063	36.6%
Community Development	3	0.2%	2,025	2.3%
Total	1,310	100.0	87,553	100.0

Note: Percentages may not add to 100% due to rounding.

(a) This table reflects loans originated in the assessment area from January 1996 to March 1998.

We reviewed the HMDA loan originations by “purpose” because these are the primary consumer loan products of the bank. In 1996, the bank mainly generated home improvement and refinancings in terms of both number and dollars. In 1997, the volume of home improvements and home purchase loans increased, while refinancings declined. The 1996 market share data indicates that the overall level of home purchase lending is significantly below the market performance, while the level of home improvement lending is above market performance.

Management stated that home purchase loans were not emphasized by the bank during the evaluation period. Promotions were directed primarily toward home improvement loans. The bank placed more emphasis on purchase money mortgages in late 1996 and early 1997 with the hiring of two new Residential Mortgage Loan Executives. These individuals emphasize the “First Step Affordable Housing Program” in order to help increase the level of home purchase loans. The First Step program, which began in late 1994, features a below market rate of interest, fixed for thirty years, no points, a discounted application fee, no private mortgage insurance for low-income borrowers, and flexible underwriting criteria. During the evaluation period, \$1,632,000 or 13.7% of all home purchase loans were originated under the First Step program.

Management stated that the bank offers very competitive home purchase loan products, but they needed to increase marketing efforts. Recent efforts resulted in a small increase in home purchase lending in 1997. However, home purchase lending remains low as a percent of total HMDA lending.

TOTAL HMDA LOAN ORIGINATIONS BREAKDOWN BY LOAN PURPOSE								
Loan Purpose	1998 (Jan-Mar)		1997		1996			
	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	Loan Mix of Other Area Financial Institutions (a)	
							#	\$
Home Purchase	17 17.0%	1,207 19.7%	71 15.3%	6,399 29.1%	40 9.0%	4,276 16.9%	53.0%	61.4%
Home Improvement	37 37.0%	1,088 17.7%	263 56.7%	6,257 28.4%	205 46.0%	5,791 22.9%	13.3%	3.3%
Multifamily	0 0%	0 0%	0 0%	0 0%	2 .4%	136 .5%	0.1%	.2%
Refinancing	46 46.0%	3,840 62.6%	130 28.0%	9,364 42.5%	199 44.6%	15,052 59.7%	33.6%	35.1%
Total 100%	100 100%	6,135 100%	464 100%	22,020 100%	446 100%	25,255 100%	100%	100%

Note: Percentages may not add to 100% due to rounding.

(a) The market consists of all HMDA reporters in the bank's assessment area. Market performance is based on the number and dollar volume of loans as a percent of total originations.

Assessment Area Concentration

A substantial majority of the HMDA and small business loans (90% of combined number and 84% of total dollars loaned) were made in the assessment area during the evaluation period.

Geographic Distribution of Loans

HMDA Loans

Geographic distribution is good, particularly in moderate-income tracts. We used 1996 as a benchmark period because market data is available for this period. The bank's lending activities outperformed the market in moderate-income census tracts. Both the number of loans and the dollars loaned were consistently higher during the evaluation period than the market performance. The bank did not originate any loans in low-income areas. However, market performance in the two low-income census tracts was also very low at less than 1% of total lending. Management stated that the main reason no loans were originated in the two low-income tracts is that prior to 1997 the closest branch was more than 20 miles away. In late 1997, a branch opened within ten miles of the Lakewood low-income census tract. Management believes that the new branch along with the First Step mortgage program will lead to increased lending in the low-income tracts in 1998.

TOTAL HMDA LOAN ORIGINATIONS GEODISTRIBUTION IN ASSESSMENT AREA								
	1998 (Jan-Mar)		1997		1996			
Type of Census Tracts %	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	Geodistribution of Other Area Financial Institutions (a) # \$	
Low 2%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	.8%	0.6%
Moderate 28%	35 35.0%	1,939 31.6%	141 30.4%	6,252 28.4%	137 30.7%	7,004 27.7%	24.2%	21.2%
Middle 66%	64 64.0%	4,102 66.9%	313 67.4%	15,370 69.8%	296 66.4%	17,575 69.6%	70.9%	72.9%
Upper 3%	1 1.0%	94 1.5%	10 2.2%	398 1.8%	13 2.9%	676 2.7%	2.8%	4.4%
NA 1%	0	0	0	0	0	0	1.3%	0.9%
Total 100%	100 100%	6,135 100%	464 100%	22,020 100%	446 100%	25,255 100%	100%	100%

Note: Percentages may not add to 100% due to rounding.

(a) The market consists of all HMDA reporters in the bank's assessment area. Market performance is based on the number and dollar volume of loans as a percent of total originations.

Small Business Lending

The geographic distribution of small business loans reflects good penetration throughout the assessment area. In 1996, the bank outperformed the market by a significant percentage in moderate-income census tracts. In the assessment area, 24% of all small businesses are in moderate-income census tracts. Small business lending volume has also increased significantly, with a higher percentage of the volume in middle-income census tracts. The following table shows the distribution of loans to businesses with gross annual revenues of \$1 million or less.

TOTAL SMALL BUSINESS LOAN ORIGINATIONS GEODISTRIBUTION IN ASSESSMENT AREA								
	1998 (Jan-Mar)		1997		1996			
Type of Census Tracts %	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	Geodistribution of Other Area Financial Institutions (a) # \$	
Low 2%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	1.0%	1.0%
Moderate 28%	9 23.1%	2,728 44.0%	32 21.0%	4,806 23.3%	43 41.0%	2,229 44.5%	21.0%	17.0%
Middle 66%	30 76.9%	3,470 56.0%	115 75.7%	14,940 72.6%	61 58.0%	2,735 54.5%	73.0%	76.0%
Upper 3%	0 0%	0 0%	5 3.3%	835 4.1%	1 1.0%	50 1.0%	5.0%	6.0%
NA 1%	0	0	0	0	0	0	0	0
Total 100%	39 100%	6,198 100%	152 100%	20,851 100%	105 100%	5,014 100%	100%	100%

Note: Percentages may not add to 100% due to rounding.

(a) The market consists of all reporters in the bank's assessment area. Market performance is based on the number and dollar volume of loans as a percent of total originations.

Borrowers' Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different size. The three tables below show the distribution of HMDA loans by family income level and small business loans by loan size and the revenue size of the business.

HMDA Loans

Borrower distribution to customers of different income levels is good. The number and dollars loaned as a percentage of total loans, to low-income borrowers, was higher than the market performance. Lending to moderate-borrowers was reflective of the market performance. In 1996, the bank ranked third (65 loans originated) and sixth (94 loans originated) in the volume of HMDA loans to low- and moderate-income borrowers, respectively, within their assessment area. The majority of the loans originated were home improvement loans. The number of loans originated to low-income borrowers remained relatively stable in 1997, but the dollars loaned increased by 19%. Both the dollars loaned and the number of loans increased in 1997 for moderate-income borrowers.

TOTAL HMDA LOAN ORIGINATIONS BORROWERS' PROFILE IN ASSESSMENT AREA								
	1998 (Jan-Mar)		1997		1996			
Family Income Distribution %	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	Borrowers' Profile of Other Area Financial Institutions (a) # \$	
Low 24%	12 12.0%	269 4.4%	61 13.1%	1,775 8.1%	65 14.6%	2,149 8.5%	8.1%	3.9%
Moderate 23%	21 21%	894 14.6%	102 22.0%	4,353 19.8%	94 21.1%	2,989 11.8%	22.4%	16.8%
Middle 26%	32 32%	2,157 35.2%	137 29.5%	5,600 25.4%	118 26.5%	4,931 19.5%	29.1%	26.7%
Upper 27%	35 35%	2,815 45.8%	155 33.4%	10,236 46.5%	163 36.5%	14,335 56.8%	35.1%	47.2%
NA 0%	0 0%	0 0%	9 1.9%	56 .3%	6 1.3%	851 3.4%	5.3%	5.4%
Total 100%	100 100%	6,135 100%	464 100%	22,020 100%	446 100%	25,255 100%	100%	100%

Note: Percentages may not add to 100% due to rounding.

(a) The market consists of all HMDA reporters in the bank's assessment area. Market performance is based on the number and dollar volume of loans as a percent of total originations.

Small Business Lending

To help meet the needs of those businesses which would not otherwise qualify for conventional financing, the bank offers Small Business Administration (SBA) and New Jersey Economic Development Agency (NJEDA) guaranteed or sponsored loans. During the evaluation period, CB/Shore originated 27 SBA and NJEDA loans totaling more than \$8.5 million. These are included in the small business numbers reported by the bank.

In 1996, the bank outperformed the market in loans to businesses with revenues of less than \$1 million. This favorable trend continued in 1997 and through the first quarter of 1998 as the percent of dollars loaned to small businesses increased. The overall volume of small business lending also increased significantly from 1996 to 1997.

SMALL BUSINESS LOAN ORIGINATIONS BY REVENUE SIZE IN ASSESSMENT AREA								
	1998 (Jan-Mar)		1997		1996			
Revenue Size	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	Origination Profile of Other Area Financial Institutions (b)	
							#	\$
Less than or Equal to \$1 Million	26 66.7%	3,511 56.6%	107 70.4%	10,786 52.4%	62 59.0%	2,543 50.7%	57.4%	43.3%
Greater than \$1 Million	11 28.2%	2,477 40.0%	45 29.6%	9,795 47.6%	43 41.0%	2,471 49.3%	42.6%	56.7%
Total 100%	39 (a) 100%	6,198 (a) 100%	152 100%	20,581 100%	105 100%	5,014 100%	100%	100%

Note: Percentages may not add to 100% due to rounding.

(a) Includes two business loans totaling \$210,000 to firms with unknown revenues.

(b) The market consists of all reporters in the bank's assessment area.

The bank outperformed the market in 1996 for loans less than or equal to \$100,000. However, the table below shows a change in emphasis from smaller loans to larger loans when comparing 1996 to 1997. Due to the increases in lending in the larger loan categories, the percent of loans in the smaller loan category decreased in 1997 and during the first quarter of 1998. However, the increased emphasis in small business lending resulted in an increase in the number and dollars in the less than \$100,000 category from 1996 to 1997.

SMALL BUSINESS LOAN ORIGINATIONS BY LOAN SIZE IN ASSESSMENT AREA								
	1998 (Jan-Mar)		1997		1996			
Loan Size (000)	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	# Loans %Total	\$ (000's) %Total	Origination Profile of other area financial institutions (a)	
							#	\$
Less than or Equal to \$100	24 61.5%	1,080 17.4%	98 64.5%	3,712 18.1%	95 90.5%	3,509 70.0%	89.0%	32.0%
Between \$100-\$250	9 23.1%	1,663 26.8%	32 21.0%	5,875 28.5%	10 9.5%	1,505 30.0%	6.0%	21.0%
Greater than \$250 but less than \$1,000	6 15.4%	3,455 55.8%	22 14.5%	10,994 53.4%	0 0%	0 0%	5.0%	47.0%
Total 100%	39 100%	6,198 100%	152 100%	20,581 100%	105 100%	5,014 100%	100%	100%

Note: Percentages may not add to 100% due to rounding.

Community Development Lending Activities

The bank originated an adequate level of community development loans during the evaluation period. Community development loans are loans that (1) have a primary purpose of community development, as defined at 12 C.F.R. § 25.12(h), (2) have not been reported or collected by the bank or an affiliate for consideration as home mortgage, small business, small farm or consumer loans, unless they are multifamily dwelling loans, and (3) benefit the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area. From January 1, 1996 to May 18, 1998 the bank originated three community development loans, totaling \$2,025,000. None of the loans granted were innovative or complex.

A synopsis of these loans follows:

- ▶ The bank provided \$285,000 to finance the construction of three single family dwellings used as LMI housing. The project is sponsored by a private nonprofit organization that was formed by a group of local businessmen and political leaders in 1997 with the goal of providing decent affordable housing to LMI families in Bricktown. The bank will utilize its First Step mortgage product to qualify applicants. The Township of Brick guarantees \$20,000 of each permanent mortgage via the Affordable Housing Trust Fund.
- ▶ The bank provided financing of \$240,000 to purchase the parcel of land for construction of an assisted living facility in Forked River, NJ. The permanent financing will be provided by the New Jersey Housing Mortgage Finance Agency. The project targeted 40% of its beds to Medicaid eligible residents.
- ▶ The bank participated in funding (\$1,500,000 of \$28,500,000 in total funding) to acquire two nursing homes, one in Toms River, NJ and one in Brick, NJ. Both nursing homes are targeted to serve LMI senior citizens. Approximately 37% of the Toms River center residents and 53% of the Brick center residents receive Medicaid.

In addition, the bank originated 13 loans totaling \$4.3 million that, while not meeting the definition of a Community Development Loan under the regulation, did foster economic development in the assessment area.

INVESTMENT TEST

Considering CB/Shore's capacity and resources, as well as investment opportunities in the assessment area, the level of qualified investments is inadequate. Community investment opportunities in Ocean County, while limited, do exist. Additionally, regional and statewide investment opportunities that benefit the assessment area are available to the bank. Qualified investments made during the current evaluation period consist of donations/grants to organizations that help provide economic development and/or affordable housing and community services to LMI individuals. The grants are depicted in the table below.

QUALIFIED INVESTMENTS				
Purpose	1996	1997	1998	Total
Affordable Housing and Economic Development	4,500	5,000	4,500	14,000
Grants and Donations to Community Service Organizations	100	1,000	10	1,100
Total	4,600	6,000	4,500	15,100

One qualified investment was made prior to the evaluation period. In 1994, management invested \$50,000 in the New Jersey Community Loan Fund, a non profit organization designed to increase the flow of capital into housing and economic development activities. This investment matures in 1999. Since this is a five year investment, we have considered it in the overall performance rating for the investment test. None of the investments were innovative or complex. Other private investors routinely provide these same kind of investments.

The qualified investments respond to some of the credit needs of the assessment area. But again, given the bank's capacity and investment opportunities, the level of responsiveness is inadequate.

SERVICE TEST

The bank's retail delivery systems are accessible to most of the assessment area. The six branch offices opened during the review period have enhanced the overall accessibility of bank services by all geographies of the assessment area including LMI census tracts. Branch hours are extensive and are designed to meet the needs and convenience of all customers within the assessment area.

Overall, the distribution of branches and ATMs compares favorably to the geographies within the assessment area. CB/Shore's branch network is comprised of ten full service offices. Each branch location is equipped with an ATM and a drive-through facility to accommodate customer convenience. The bank also maintains three non-branch ATMs within the assessment area. They are located at the Southern Ocean County Hospital, a Seaside Heights' amusement area and the Forked River rest stop on NJ- Garden State Parkway. As illustrated below, the majority of branches and ATMs are located in moderate- and middle-income census tracts. These geographies reflect the general composition of the assessment area and is indicative of the growing retired senior citizen population in Ocean County.

DISTRIBUTION OF DELIVERY SYSTEMS (BRANCHES AND REMOTE ATM FACILITIES)			
Type of Census Tract	Branches # / %	Non-Branch ATM Facilities # / %	Census Tracts in the Assessment Area # / %
Low	0 / 0%	0 / 0%	2 / 2%
Moderate	4 / 40%	2 / 67%	24 / 28%
Middle	5 / 50%	1 / 33%	57 / 66%
Upper	1 / 10%	0 / 0%	3 / 3%
Not Classified	0 / 0%	0 / 0%	1 / 1%
Total	10 / 100%	3 / 100%	87 / 100%

Note: Percentages may not add to 100% due to rounding.

The bank offers extended lobby and drive-in hours at all locations. All branches are opened on Saturday and Sunday. Some offices are also open on holidays. A listing of branch hours is available in the bank's public file.

CB/Shore has opened six branches within its assessment area since 1995. Branch locations include three in moderate-income census tracts, two in middle-income tracts and one in an upper-income census tract. There were no branch closings during the review period. In addition to branch operations, alternative delivery systems in the form of telephone and computer banking services are available throughout the assessment area. These systems provide customers with access to loan and deposit services and customer representatives 24 hours a day. Telephone banking is extensively used by all segments of the customer base.

All branch locations offer a common set of traditional financial services to its consumer and business customers. Deposit services include checking accounts geared towards customers over 50 years of age and a low cost/minimum balance account for those individuals desiring basic checking services. Saving products include a no fee account for young savers (less than 21 years old). The bank offers a variety of personal, mortgage, home equity and credit card loan products, including programs designed to assist LMI borrowers with home improvement and home ownership. The bank also offers low cost business deposit services.

Marketing efforts are designed to reach all segments and geographies of the assessment area. In addition, the bank uses its community outreach program and specialty advertising to supplement the promotion of the bank's affordable loan and deposit services to LMI geographies.

Community Development Services

CB/Shore provides an adequate level of community development services. Bank officers have provided financial and technical expertise to various community service and development organizations through board membership and/or holding various administrative and advisory positions. Beneficiaries of the bank's community development services include local economic revitalization initiatives, affordable housing, day care/after school programs and small business development activities.

The following is a listing and description of some of the community development services provided in the assessment area.

- Toms River Basin Revitalization Program - CB/Shore assisted Ocean County government representatives and the Ocean County Chamber of Commerce in the establishment of the Toms River Basin Revitalization Program. This program provides funding to attract business to the Toms River Basin and Beechwood, both moderate-income areas which have experienced economic decline in recent years.
- Lakewood Urban Enterprise Zone - CB/Shore participates in the Lakewood Urban Enterprise Zone program, which provides assistance to small to medium size businesses in the Lakewood community.
- Ocean County YMCA - A member of senior management serves on the board of the Ocean County YMCA which provides critical day care and after school programs for LMI children in the county.
- Homes For All, Inc. - The bank is the corporate trustee of this nonprofit organization dedicated to providing affordable housing to LMI families in the Ocean County region.
- Commerce Capital, an affiliate of the bank has provided underwriting and brokerage services for several state, county, and municipal bond issues (approx \$160 million) that have benefited the bank's assessment area.

The following is a list of workshops sponsored by CB/Shore. Since the bank does not track attendance at these functions, the effectiveness of these workshops could not be measured.

- February 1996 -Workshop for potential first time home buyers in Toms River, NJ. The purpose of this program was to train borrowers to pre-qualify themselves for a loan.
- October 1997 - Workshop for potential home buyers in the Brick Township community regarding budgeting and credit. The workshop included the bank's CRA mortgage representatives, a representative from the Department of Affordable Housing and a local realtor.

FAIR LENDING EXAMINATION

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations. Commerce has an effective system in place to comply with fair lending regulations. Training has been effective in introducing fair lending topics throughout the bank.

APPENDIX A

SCOPE OF EXAMINATION

TIME PERIOD REVIEWED	January 1, 1996 to March 31, 1998
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FINANCIAL INSTITUTION	PRODUCTS REVIEWED
Commerce Bank/Shore, N.A. Forked River, N.J.	Mortgage, Home Improvement, Community Development and Small Business Loans

AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Commerce Bank, N.A. Cherry Hill, NJ	Subsidiary of Holding Company	Mortgage, Home Improvement, Community Development and Small Business Loans
Commerce Bank/Pennsylvania, N.A. Philadelphia, PA	Subsidiary of Holding Company	Mortgage, Home Improvement, Community Development and Small Business Loans

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
Assessment Area	Type of Exam	Branches Visited	Other Information
Ocean County, NJ located in the Monmouth/Ocean MSA # 5190	On-Site	Toms River	Not applicable