



PUBLIC DISCLOSURE

JANUARY 9, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMERCE BANK

RSSD # 601050

1000 WALNUT STREET
KANSAS CITY, MISSOURI 64199

Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION COMMUNITY REINVESTMENT ACT RATING

Community Reinvestment Act (CRA) Rating: Commerce Bank is rated "**Outstanding**"

The following table indicates the performance level of Commerce Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The lending test is weighted more heavily in determining the overall rating.			

Major factors supporting the institution's rating include:

- The bank is a leader in community development lending in most areas served.
- The level of qualified community development investments is excellent.
- The bank is a leader in providing community development services in most areas served.
- Adequate responsiveness to assessment area (AA) credit needs.
- A high percentage of loans originated within the bank's designated AAs.
- The geographic distribution of home mortgage, business, and farm loans considered adequate or good in most all AAs.
- The distribution of loans among individuals of different income levels and businesses and farms of different revenue sizes considered adequate or good in most all AAs.
- Delivery systems are reasonably accessible to geographies and individuals of different income levels.
- Products, services, and hours do not vary significantly by branch location and do not hinder access in certain geographies or by individuals of different income levels.

DESCRIPTION OF INSTITUTION

Commerce Bank is a full-service interstate financial institution offering a wide variety of commercial and retail products and services. The bank became a Federal Reserve member bank on June 29, 2011. The bank is a wholly-owned subsidiary of Commerce Bancshares, Inc. (CBI). Both have their headquarters in Kansas City, Missouri. As of September 30, 2011, the bank's total assets equaled \$20.5 billion. The last examination was conducted by the

Office of the Comptroller of the Currency (OCC) on August 3, 2009. The bank's AAs have remained unchanged since the prior examination, though two nonmetropolitan areas, Cape Girardeau, Missouri, and Manhattan, Kansas, became Metropolitan Statistical Areas (MSAs) in 2009.

Affiliated companies included in this evaluation include Capital for Business, Inc. (CFB), and Commerce Mortgage Corporation (CMC). CFB is a venture capital subsidiary of CBI that owns two Small Business Investment Companies (SBICs) that partner with other investors to provide financing to small businesses for expansion and operating expenses. CMC, a wholly-owned subsidiary of the bank, is a mortgage loan originator and servicer. Community development investments and residential mortgage loans held by these affiliates are included in the analysis of the bank's Community Reinvestment Act (CRA) performance.

The bank's loan mix as of September 30, 2011, is demonstrated in Table 1. Commercial loans constitute the largest percentage of the bank's loan mix. Residential real estate loans constitute the second largest loan product, and the figure below is somewhat understated, as the majority of residential mortgage loans are sold into the secondary market.

Table 1 LOAN PORTFOLIO SEPTEMBER 30, 2011 (Call Report Data)		
Loan Type	\$(000s)	% of Total
Commercial	4,310,582	47.3
Residential Real Estate	2,019,275	22.2
Consumer	1,662,842	18.2
Agricultural	239,429	2.6
Other	882,203	9.7
Total Loans	9,114,331	100.0

Since the last examination, total loans have declined each year, dropping 9.9 percent in 2009, 9.7 percent in 2010, and 3.8 percent for the first three quarters of 2011. The bank's total loan-to-deposit (LTD) ratio has declined from 81 percent at the last examination to 56.9 percent as of September 30, 2011. Bank management stated it has a strategy for loan growth and that the decline in the LTD ratio is a factor of strong deposit growth of 30 percent since 2008, coupled with declining loan demand over the last two years due to the overall poor national economy.

As of October 2011, the bank had 201 banking offices throughout 27 AAs in five states – Missouri, Kansas, Illinois, Colorado, and Oklahoma. For this evaluation, the bank's total AAs remained unchanged from the prior review, consisting of two multistate MSAs, Kansas City Missouri-Kansas (MO-KS) and St. Louis Missouri-Illinois (MO-IL); 14 other MSAs, with six in Missouri (Cape Girardeau, Columbia, Jefferson City, Joplin, Springfield, and St. Joseph), three

in Kansas (Lawrence, Manhattan, and Wichita), three in Illinois (Bloomington, Champaign, and Peoria), Denver, Colorado, and Tulsa, Oklahoma; and eleven nonmetropolitan AAs, with seven in Missouri and four in Kansas.

Approximately 66 percent of the bank's total deposits, as of June 30, 2011, were attributed to locations in the multistate MSAs of Kansas City and St. Louis. Adding in the rest of the State of Missouri, 82.7 percent of the bank's total deposits are accounted for. Kansas (outside the Kansas City MSA) is also a somewhat significant market area served by the bank, with 10.3 percent of total bank deposits, followed by Illinois with 5.5 percent. The Denver and Tulsa markets each have less than 1.0 percent of total bank deposits. In determining the overall examination rating, the AAs are weighted accordingly.

There are no legal or financial constraints impeding the bank's ability to help meet the credit needs in its AAs.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the lending, investment, and service tests as defined under the Federal Financial Institutions Examination Council's Interagency CRA Procedures for Large Institutions. Loan products evaluated included all residential mortgage loans reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR); business loans reported on the CRA LAR, which includes all business loans in amounts less than \$1 million; farm loans reported on the CRA LAR, which includes all farm loans in amounts less than \$500,000; and loans qualifying as community development loans, per CRA guidelines. The bank's primary lending focus is commercial lending, with significant focus also in residential real estate lending and consumer lending. For the lending test, the greatest emphasis is placed on the bank's business lending, as these loans comprise nearly half of the bank's loan portfolio.

The evaluation period for HMDA and CRA LAR loans as well as all community development activities was January 1, 2009 through December 31, 2010. The number of reported loans for multifamily home mortgage loans in all AAs and farm loans in several AAs (St. Louis, Columbia, Denver, and Tulsa) was insufficient to conduct a meaningful lending analysis and are excluded from the review.

The geographic distribution analysis was based on the bank's penetration within different geographic income categories, particularly low- and moderate-income (LMI) geographies. Geography income classifications are based on 2000 Census data and 2008 Office of Management and Budget MSA designations. The borrower distribution analysis was based on the bank's penetration to individuals of different income categories, particularly LMI borrowers, and to businesses and farms of different sizes, particularly those with gross annual revenues under \$1 million. For the evaluation of borrower characteristics, borrower income levels were based on 2009 and 2010 estimated median family income (MFI) figures from the U.S. Department of Housing and Urban Development (HUD). For evaluative purposes, the bank's

performance was compared with area demographic data, including 2000 Census data and 2010 Dun & Bradstreet (D&B) business data. Comparisons were also made with 2009 and 2010 aggregate lending data reported by all HMDA and CRA reporters with loan originations within the bank's AAs.

Under the CRA, a financial institution's performance is evaluated within the context of each delineated AA and within each state in which it operates. Each multistate MSA and each state is assigned an individual rating, and an overall rating is assigned for the bank. The bank has delineated 27 AAs, listed in Appendix A, which are discussed separately throughout this Performance Evaluation. The bank's two multistate MSA AAs and at least one MSA AA in each state will be evaluated using full-scope examination procedures. Other MSA AAs and all nonmetropolitan AAs in Missouri and Kansas will be evaluated using limited examination procedures.

Interviews with members of the communities within the bank's AAs were conducted during the examination to ascertain the credit needs of the communities, the responsiveness of area banks to those credit needs, the availability of community development opportunities, and local economic conditions. Additional community contacts previously conducted within the bank's AAs during the previous two years were also referenced.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's overall rating and conclusions were based on its performance in each individual AA, with the greatest weight placed on the bank's Kansas City and St. Louis multistate MSA AAs, followed by the overall state of Missouri and the overall state of Kansas. Business loans were generally given greater weight, followed by residential mortgage loans, with agricultural loans given far less weight in most AAs. The bank's performance is discussed more in-depth within each AA analysis in this Performance Evaluation, and includes figures to demonstrate the bank's lending performance as well as comparison with aggregate figures and demographic data.

LENDING TEST

The bank's overall record of meeting its AAs' credit needs through its lending activities is rated "high satisfactory". Overall, the bank is a leader in community development lending. The excellent level of community development lending boosted the bank's overall lending performance rating.

The borrower distribution analysis reflected good performance in the Kansas City and St. Louis MSA AAs, while this test was considered poor in the Champaign, Illinois, and Tulsa, Oklahoma AAs, and was generally considered adequate in the other AAs.

The bank's geographic distribution was adequate in the Kansas City and St. Louis MSA AAs, excellent in the Denver market, generally adequate or good in most other AAs, but poor in the Champaign, Illinois market and very poor in the Tulsa, Oklahoma, market.

Lending Activity:

Table 2 SUMMARY OF LOANS REVIEWED				
Loan Type	#	%	\$(000s)	%
Total Home Purchase	1,314	19.1 (a)	183,510	21.2 (a)
Conventional Home Purchase	1,101	83.8 (b)	159,376	86.8 (b)
FHA Home Purchase	193	14.7 (b)	21,678	11.8 (b)
VA Home Purchase	20	1.5 (b)	2,456	1.3 (b)
Refinancing	4,277	62.2 (a)	614,168	70.9 (a)
Home Improvement	1,216	17.7 (a)	35,562	4.1 (a)
Multifamily Housing	64	0.9 (a)	32,976	3.8 (a)
Total HMDA LAR Loans	6,871	30.5 (c)	866,216	32.7 (c)
Total CRA LAR Business Loans	12,196	54.1 (c)	1,491,364	56.3 (c)
Total CRA LAR Farm Loans	3,458	15.4 (c)	292,651	11.0 (c)
TOTAL LOANS	22,525		2,650,231	
(a) Percent of Total HMDA Loans; (b) Percent of Total Home Purchase Loans; (c) Percent of Total Loans				

Based on a review of loan products, including mix and volume, the bank's residential home mortgage and commercial lending activities reflect adequate responsiveness to AA credit needs. The bank's overall loan volume, as reflected by the LTD ratio, has declined significantly over the last four years, from 87.5 percent to 53.7 percent. During our review period, the LTD ratio equaled 72.4 percent at year-end 2009 and 62.4 percent at year-end 2010. The decline is primarily due to the national recession and the resulting decrease in loan demand coupled with a 30 percent growth in deposits since 2008.

The bank made use of some innovative and flexible lending practices during the review period, including Federal Housing Administration (FHA), Veterans Administration (VA), and Small Business Administration (SBA) guaranteed loans, Missouri Linked Deposit Loans, a secured credit card program, and other affordable housing down payment assistance programs. The bank's volume of SBA and Missouri Linked Deposit Loans was notable, while use of the other flexible lending programs was minimal.

The bank is considered a leader in the Missouri Linked Deposit Program. This program was developed by the state of Missouri to create and retain jobs, expand the economy, and strengthen communities statewide by providing below-market-rate business loans with up to five-year fixed rate terms. Participating banks obtain state funds at reduced deposit rates and

in turn make reduced-rate loans to businesses with fewer than 100 employees. Commerce Bank is the largest participant in the program, with \$120.8 million in loans as of September 30, 2011, compared to less than \$23 million for the next largest participant. The majority of the bank's lending occurred in 2011. During our review period, the bank's level of funding equaled \$29.4 million.

The bank is a certified SBA lender, using various SBA programs, including America's Recovery Capital, SBA 504, SBA 7(a), and Patriot Express loan programs. For our review period, the bank originated 227 SBA loans totaling nearly \$89 million. Over half the SBA loans were originated in the Kansas City and St. Louis MSAs (26 percent in each). Approximately 20 percent were originated outside the bank's AAs, though generally near AAs. Per a St. Louis Business Journal article, the bank was the largest SBA lender in St. Louis for the first eight months of 2011. Per the SBA's website, the bank was the second largest SBA 7(a) lender in 2009 in the state of Missouri (with 57 originations), and ninth in Kansas (with only seven originations).

The bank's HMDA LAR for 2009 and 2010 shows 230 FHA loans, averaging \$114,000 per loan. The volume by number represented only 3.3 percent of total bank HMDA originations. The HMDA LAR also shows 24 VA loans, averaging \$126,000 per loan. This volume represented only 0.3 percent of total bank HMDA originations.

Commerce Bank has a special secured credit card product that was offered during the review period, and restructured in 2011. The product is offered as a means to help customers establish or reestablish credit. The credit cards must be secured by certificates of deposit and come with a low interest rate. The bank originated seventy cards under this program during the review period, with the majority to LMI borrowers.

The bank's affordable home mortgage products offered during the review period included first-time home buyer programs with grants for down payments and lower required down payments. The bank had an adjustable rate product that was discontinued in 2009 and two fixed-rate products that were discontinued in 2010. These products had very low volume during our review period.

Assessment Area Concentration:

As demonstrated in Table 3, the bank originated a high percentage of its loans within its delineated AAs. Only loans within the bank's AAs are considered for the remaining loan distribution tests discussed within this Performance Evaluation. Furthermore, the continuing analyses and tables focus primarily on the number of originations as opposed to dollar volume, as this better represents the number of affected applicants.

Table 3 LENDING WITHIN THE ASSESSMENT AREAS								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	1,152	87.7	150,582	82.1	162	12.3	32,928	17.9
Home Refinance	3,939	92.1	554,311	90.3	338	7.9	59,857	9.7
Home Improvement	1,126	92.6	33,192	93.3	90	7.4	2,370	6.7
Multifamily Housing	53	82.8	30,730	93.2	11	17.2	2,246	6.8
Total HMDA Loans	6,270	91.3	768,815	88.8	601	8.7	97,401	11.2
Total Business Loans	9,515	78.0	1,292,023	86.6	2,681	22.0	199,341	13.4
Total Farm Loans	2,674	77.3	219,831	75.1	784	22.7	72,820	24.9
TOTAL LOANS	18,459	81.9	2,280,669	86.1	4,066	18.1	369,562	13.9

Geographic and Borrower Distribution:

The overall geographic distribution of residential mortgage, business, and farm loans each generally reflected adequate penetration in LMI tracts throughout the bank's AAs. Additional details will be portrayed in the analysis for each individual AA.

The overall distribution of HMDA lending among borrowers of different income levels and to businesses of different revenue sizes was adequate. The bank's lending performance to small businesses, defined for CRA purposes as those with gross revenues less than \$1 million, was typically well below demographic figures in most AAs, though above aggregate figures. A more detailed analysis of the geographic distribution and borrower income distribution is provided with the analysis of each AA.

Loan demand by small businesses has been down the last two years. A 2011 survey and study by the National Federation of Independent Business (NFIB) found that approximately 24 percent of small businesses use credit cards to meet funding needs. In addition, only 48 percent of very small businesses (those with less than 10 employees) applied for bank credit in 2010, which was a decline from 55 percent in 2009. The study stated that poor or weak sales were the primary hindrance to obtaining credit, rather than access to credit. This provides some context to explain the lower levels of lending to small businesses by all CRA filers nationwide.

Community Development Lending:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending throughout most AAs. The high level of activity had a positive impact on the lending test rating. The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration.

The majority of community development loans were for economic development, which were originated to small businesses per CRA or SBA guidelines and employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization. These loans were generally to businesses located in LMI tracts that were part of state-designated Enterprise Zones.

Table 4 QUALIFIED COMMUNITY DEVELOPMENT LOANS ALL AAS		
Purpose	#	\$(000s)
Affordable Housing	28	8,366
Revitalization and Stabilization	45	168,335
Community Services	106	30,644
Economic Development	135	463,093
Totals	314	670,438

Some examples of community development loans were to Big Brothers Big Sisters of Greater Kansas City, Catholic Social Services of Southern Illinois, Community Services League, Developmental Services of Northwest Kansas, Family Care Health Centers, First Chance for Children, Job Point, Operation Breakthrough, St. Clair County Housing Authority, and United Way of Greater St. Louis.

INVESTMENT TEST

The bank had an excellent level of community development investments and its overall investment test rating is considered "outstanding". Prior period investments totaled \$41.7 million, current period investments totaled \$136.6 million, and qualified donations totaled \$2.2 million. The bank's \$180 million in investments, grants, and donations during the two-year evaluation period surpassed the \$160 million noted in the prior CRA examination, which covered a four-year evaluation period. There were also seven matured bonds not included in these totals that were on the books an average of 13 months of the 24-month review period and totaled \$11 million.

The bank presented 2,375 donations totaling \$3.3 million for consideration during the review period. However, due to small dollar amounts, additional bank research required for documentation to qualify all donations, and the fact that these additional donations would not impact the overall investment test rating considering the high level of equity investments that were qualified, our review did not include 100 percent of the bank's donations. However, the overall large volume of donations does speak to the bank's community involvement within its designated AAs. Total volumes presented, as well as the portions qualified during this review, will be detailed for each AA.

Examples of the bank's qualified community development investments include the following:

- \$885M in Fannie Mae Mortgage Backed Securities
- \$3.8MM in Oklahoma Housing and Finance Agency bonds
- \$3.9MM in Missouri State Housing Development Commission bonds
- \$5MM in a HUD bond
- \$5.8MM in five Housing Equity Funds
- \$11.1MM in Denver Colorado Convention Center bonds located in an Enterprise Zone
- \$15.5MM in six SBICs funding 21 total economic development investments
- \$22.5MM in St. Louis Municipal Library funds, located in state designated tracts for revitalization
- \$66.8MM in 217 tax credits that generally funded affordable housing or revitalization/stabilization of LMI tracts located in or near designated Enterprise Zones

The bank's equity investments reflected good responsiveness to credit and community development needs throughout the bank's AAs. The bank occasionally used innovative investments to support community development initiatives, such as SBIC investments made by the affiliate CFB, which totaled nearly \$14 million during the review period.

Table 5 QUALIFIED COMMUNITY DEVELOPMENT INVESTMENTS ALL AAS				
Purpose	Debt/Equity Investments		Grants/ Donations	
	#	\$(000s)	#	\$(000s)
Affordable Housing	76	48,240	83	182
Revitalization and Stabilization	207	114,465	19	42
Community Services	-	-	597	1,592
Economic Development	21	15,587	403	339
Totals	304	178,292	1,102	2,155

SERVICE TEST

The bank's overall rating under the service test is considered "outstanding". The bank's commitment to CRA and providing community development services is reflected in its culture and structure, ensuring LMI geographies and individuals are served throughout its AAs. Several retail products and delivery systems are offered that benefit LMI individuals. Bank branches are accessible to various geographies in most all AAs, including LMI tracts, and branch business hours and products do not vary in a way that would inconvenience LMI geographies or individuals.

The bank has established CRA Market Contact Representatives for the Kansas City and St. Louis markets. Their sole duties include meeting with community organizations that target LMI areas and individuals. The contacts promote bank products and services within these areas. Certain bank products are specifically targeted to LMI or unbanked populations by making presentations to large employers of LMI or unbanked individuals. CRA contacts also exist in the bank's other markets, though these individuals maintain other bank duties as well.

The bank facilitates Community Advisory Boards in all AA markets. These advisory boards are comprised of local community leaders and bank officers. Commerce Bank uses these boards to seek input regarding community development and financial needs, donation opportunities, customer service performance, and marketing.

The bank has a Small Business Group, which focuses on developing loan and deposit relationships with small business customers. The group provides deposit packages to small businesses, offers reduced pricing on loan products, and provides SBA loans, bankcards, and other small dollar business loans.

The bank's mortgage department has two individuals, one in Kansas City and one in St. Louis, who specifically target home loan products to LMI individuals.

The bank has a Public Assistance Payment Program that allows the use of automated teller machines (ATMs) and debit cards for customers to access their public assistance payments. These programs are targeted to LMI individuals through various outreach opportunities by the CRA Market Contacts.

The bank's brochures and disclosures are available in Spanish and the bank has an internal program to increase the number of bilingual tellers and banking representatives located in various branch offices. These programs are used heavily in offices located in LMI tracts with high Hispanic populations and are promoted by the CRA Market Contacts during outreach opportunities that target LMI individuals or the unbanked population.

As of our review, the bank had 201 total banking offices, of which 8 were located in low-income tracts, 40 in moderate-income, 84 in middle-income, and 69 in upper-income tracts. Since January 1, 2009, the bank has opened five branches, closed 16, and relocated two. There was one net branch closure in the low-income tract category and one net opened branch in the moderate-income tract category. Overall, 23.9 percent of bank branches are located in LMI tracts, while 32.4 percent of total tracts in all AAs are LMI, as of 2000 Census data. The bank also had 69 full-service and 28 cash-dispensing-only ATMs in LMI tracts.

The bank is a leader in the provision of community development services within most of its designated AAs, particularly the Kansas City and St. Louis MSA AAs, as well as the other medium to larger sized MSAs. In smaller MSA and rural AAs, the bank provides a level of community services commensurate with the bank's presence in the area. Overall, the bank provided 446 community development services to 291 different organizations.

A substantial majority of the qualified services for the review period were for community services targeted to LMI individuals. Examples of service activities included providing financial expertise through board, advisory, or audit committee participation and providing financial educational sessions for school children as part of Teach Children to Save and Money Smart programs sponsored by the Federal Reserve Bank of Kansas City and the Federal Deposit Insurance Corporation (FDIC), as well as through Junior Achievement. Table 6 illustrates the breakdown of total community development services by type for the entire bank in all AAs.

Table 6 QUALIFIED COMMUNITY DEVELOPMENT SERVICES ALL AAS	
Purpose	#
Affordable Housing	39
Revitalization and Stabilization	11
Community Services	325
Economic Development	71
Totals	446

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A review was performed of the most recent consumer examination reports conducted by the bank's previous federal regulator and internal audit reports to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the FHA. The review found no evidence of discrimination or other illegal credit practices inconsistent with helping to meet the credit needs of the community.

KANSAS CITY, MO-KS MULTISTATE METROPOLITAN STATISTICAL AREA

CRA RATING FOR KANSAS CITY MSA: ¹	<u>"Satisfactory"</u>
<i>The lending test is rated:</i>	<i>"High Satisfactory"</i>
<i>The investment test is rated:</i>	<i>"High Satisfactory"</i>
<i>The service test is rated:</i>	<i>"Outstanding"</i>

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans that are responsive to meeting affordable housing needs, sustaining jobs in LMI areas, and providing financing to small businesses.
- The bank provided a significant level of community development investments and grants in the AA that were responsive to meeting affordable housing needs, revitalizing and stabilizing LMI areas, and supporting organizations that provide essential services to LMI individuals. The bank employs occasional use of innovative or complex qualified investments.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and to businesses of different revenue sizes was good.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

Each multistate MSA AA with branches in more than one state is required to have a full-scope review. The scope of the Kansas City MSA AA was consistent with the overall scope for the institution, including evaluations under the lending, investment, and service tests. Due to the significant bank presence, the two multistate MSA AAs will receive the greatest weight in the overall rating.

Three community contact interviews were conducted in the AA and eight prior community contacts conducted within the MSA during the previous two years were referenced.

¹ This rating reflects performance within the multistate MSA. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate MSA.

DESCRIPTION OF BANK'S OPERATIONS IN THE KANSAS CITY MSA AA

The bank's headquarters plus 48 branches are located in the AA. The Kansas City market represents the bank's largest presence, with 34.8 percent of total bank deposits as of June 30, 2011. As of that date, the bank had a deposit market share within the MSA of 12.5 percent; making it the second largest of 150 FDIC-insured financial institutions in the MSA. Loan products offered in the market mirror those discussed in the overall institution section of this report, with an emphasis on commercial loans and residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

The bank's Kansas City MSA AA includes 7 of the 15 total MSA counties. The AA's 2000 population equaled 1,672,418, or 91.1 percent of the entire MSA population of 1,836,038. Since the AA comprises such a high percentage of the total MSA population as of 2000 Census data, AA demographics such as the concentration of families and age distribution did not differ significantly from overall MSA figures.

The largest industry sectors in the Kansas City MSA are government (16.0 percent), professional and business services (14.6 percent), educational and health services (13.4 percent), and retail trade (10.6 percent). (Source: FDIC Regional Economics [RECON]/Moody's Analytics and Bureau of Labor Statistics [BLS], 2010)

Several health-related companies were in the top 20 MSA employers, including HCA Midwest Health System (8,127 employees), Saint Luke's Health System (6,622), Cerner Corporation (4,980), Children's Mercy Hospital and Clinics (4,812), Truman Medical Center (4,081), University of Kansas Hospital (3,880), Sisters of Charity of Leavenworth Health System (3,091), and Kansas Medical Center (2,780). Other large MSA employers include Wal-Mart (7,400), Sprint Corporation (7,300, down from 14,500 in 2007), McDonald's USA, L.L.C. (5,700), DST Systems, Inc. (4,425), AT&T Corporation (3,710), General Motors Corporation (3,706), Hallmark Cards, Inc. (3,700), Ford Motor Company (3,600), and Black & Veatch, L.L.P. (3,200). (Source: FDIC RECON/The Business Journal, April 2010)

The Kansas City MSA unemployment figures have fared slightly better than U.S. figures. In Jackson County, Missouri, the largest MSA county, unemployment figures have exceeded statewide figures; while unemployment in Johnson County, Kansas, the second largest MSA county has been favorable when compared to state of Kansas figures. Unemployment figures for the state of Kansas have been significantly lower than U.S. figures the last three years, while Missouri's unemployment figures have mirrored national figures. (Source: FDIC RECON, BLS)

Table 7 UNEMPLOYMENT RATES			
Area	2009	2010	11Q2
KC MSA	8.8	9.1	8.3
State of Missouri	9.3	9.6	8.7
State of Kansas	7.1	7.0	6.4
U.S.	9.3	9.6	8.9

The Kansas City MSA recovery gained strength in 2010, with construction and professional services the best performing industries through the year. However, the MSA's expansion has

been confined to relatively few industries, such as retail and manufacturing. Home prices continued to slide, and construction remained depressed. Kansas City's position as a leading transportation and logistics hub has been considered a key advantage during the recovery. The MSA's geographically central location and well-developed transportation infrastructure have made it an ideal location for logistics and freight businesses.

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income mirror the overall MSA figures, and generally mirror the overall state figures for Missouri and Kansas. However, these figures vary widely by county within the AA. Wyandotte (31.1 percent) and Jackson (23.7 percent) Counties have the highest concentrations of low-income families in the AA, based on 2000 Census data. Johnson County (8.3 percent) has the lowest concentration. Total LMI families combined equal 54.9 percent for Wyandotte and 44.6 percent for Jackson, compared to only 21.0 percent for Johnson. The percentage of AA families below the poverty level (6.1 percent) also mirrored the entire MSA, as of 2000 Census data. Wyandotte County (12.5 percent) and Jackson County (9.0 percent) were the highest in the AA, while Johnson County was the lowest (2.1 percent). These income demographics indicate there may be additional lending challenges in Jackson and Wyandotte Counties.

Based on 2000 Census data, the concentration of owner-occupied housing units is lowest in Wyandotte County (57.0 percent) and Jackson County (58.1 percent), where most AA LMI tracts are located. These figures are below the AA average of 63.2 percent, which mirrors the overall MSA. Owner-occupied units have the highest concentrations in Cass County (75.8 percent) and Johnson County (69.5 percent). The majority of the bank's AA branches are in Jackson County and Johnson County. There are higher concentrations of rental units in Jackson and Wyandotte Counties, which may create more nonowner-occupied lending opportunities in these counties, especially in the LMI tracts. However, the bank's level of lending on nonowner-occupied units on the HMDA LAR was not high in this AA.

The 2000 median housing value equaled \$84,900 in Jackson County, \$149,300 in Johnson County, and only \$53,400 in Wyandotte County. Johnson County contains relatively wealthy middle- and upper-income neighborhoods. The median household income is higher in Johnson County, but housing is less affordable due to the higher housing prices. The housing affordability ratio² in Johnson County equaled 41.2 percent, the lowest in the AA, while Jackson County's equaled 46.3 percent. The most affordable county in the AA was Wyandotte County, with an affordability ratio of 63.3 percent. The overall AA housing affordability ratio equaled 44.0 percent as of 2000 Census data; well below the Kansas statewide ratio of 50.2 percent, and just below the Missouri figure of 43.7 percent.

Table 8 shows income, housing, and general demographic characteristics of the AA.

² The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

**Table 8
ASSESSMENT AREA DEMOGRAPHICS
KC MSA AA**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	46	9.6	20,107	4.6	6,132	30.5	78,221	17.8
Moderate-income	120	24.9	78,555	17.8	10,412	13.3	80,517	18.3
Middle-income	183	38.0	202,216	45.9	8,360	4.1	103,112	23.4
Upper-income	120	24.9	139,543	31.7	2,136	1.5	178,571	40.5
Unknown-income	12	2.5	0	0.0	0	0.0	0	0.0
Total AA	481	100.0	440,421	100.0	27,040	6.1	440,421	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
	#	#	%	%	#	%	#	%
Low-income	39,000	14,418	3.3	37.0	18,546	47.6	6,036	15.5
Moderate-income	148,752	70,708	16.0	47.5	63,540	42.7	14,504	9.8
Middle-income	319,844	205,495	46.5	64.2	99,107	31.0	15,242	4.8
Upper-income	191,343	151,051	34.2	78.9	32,768	17.1	7,524	3.9
Unknown-income	6	3	0.0	50.0	3	50.0	0	0.0
Total AA	698,945	441,675	100.0	63.2	213,964	30.6	43,306	6.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,990	3.9	2,494	3.7	277	5.1	219	5.1
Moderate-income	11,785	15.3	9,748	14.5	1,202	21.9	835	19.3
Middle-income	32,913	42.7	29,113	43.3	2,047	37.3	1,753	40.6
Upper-income	28,640	37.2	25,441	37.8	1,785	32.5	1,414	32.8
Unknown-income	709	0.9	441	0.7	173	3.2	95	2.2
Total AA	77,037	100.0	67,237	100.0	5,484	100.0	4,316	100.0
	Percentage of Total Businesses:			87.3		7.1		5.6

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS CITY MSA

LENDING TEST

The bank's performance with respect to the lending test in the Kansas City MSA AA is rated "high satisfactory". The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The

borrower distribution analysis reflected a good performance in the MSA, while the geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The bank's volume of home mortgage and business lending activity reflected adequate responsiveness to AA credit needs. This market had 1,156 HMDA loans, which represented 18.4 percent of total HMDA loans reviewed for this evaluation; and 1,374 CRA loans, which represented 14.4 percent of total CRA loans. However, the bank's level of lending is low within the AA. The bank is a certified SBA lender and originated 45 SBA loans in the MSA, totaling \$23 million for our review period. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 17 percent, while the deposits in the AA equaled approximately 29 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of only 37.3 percent, representing low lending levels for the lending activity test.

Geographic Distribution:

As shown in Table 9, the bank's geographic distribution of residential mortgage loans and business and farm loans reflected an adequate loan penetration among geographies of different income levels.

The LMI tracts contain more rental units, equaling 47.6 percent in the low- and 42.7 percent in the moderate-income tracts, compared to 30.6 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, including LMI tracts. For 2009 and 2010, the bank's performance in LMI geographies was generally below area demographics³ but was consistent with aggregate figures. The bank's performance in low-income geographies for 2009 (3.7 percent) exceeded area demographics (3.3 percent) and aggregate data (0.7 percent), but fell to 0.0 percent for 2010.

Lending levels below area demographics by all lenders may be a result of area economic conditions. The majority of the AA's LMI tracts are in Jackson County, Missouri, primarily in the core of the city. The LMI tracts contain much larger concentrations of families below the poverty level, equaling 30.5 percent of families in the low-income tracts and 13.3 percent in the moderate-income tracts; well above the 4.1 percent figure in the middle-income tracts and

³ The area demographic figure used for comparison purposes for all home purchase, home improvement, and refinance loans for the *geographic* distribution test is the percentage of *owner-occupied housing units* in each tract category in the AA, based on 2000 Census data. In markets with high levels of bank lending towards nonowner-occupied housing units, *total 1- to 4-family housing units* will also be used for a more applicable comparison and better performance context.

1.5 percent in the upper-income tracts. The population below the poverty level may have difficulty qualifying for residential purchase loans.

One community contact stated that for many LMI individuals and families in Jackson County, home ownership is not attainable given the current economic conditions. Many of the homes that would be considered affordable for these families are in need of repair. Because of the dilapidated conditions of the housing stock, LMI families that may be able to afford a home purchase may not be able to afford the cost of the expenses to maintain a home (maintenance, taxes, insurance, etc.). The contact stated that there is a need for more affordable and subsidized housing in Jackson County.

Refinance Loans

Refinance lending across geographies of different income levels also reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.3 percent and 1.0 percent, respectively) was below area demographics (3.3 percent) but consistent with aggregate data (0.6 percent and 0.4 percent, respectively). The bank's performance in moderate-income geographies was slightly better (6.4 percent and 5.8 percent, respectively). While still below area demographics (16.0 percent), it was above aggregate data (5.9 percent and 4.5 percent, respectively). As with home purchase loans, the weak economy, the housing market, and area demographics contributed to lower demand for refinance lending. Community contacts also indicated that financial education appears to be a barrier for LMI individuals to actively pursue refinance loans.

Home Improvement Loans

The geographic distribution of home improvement lending reflected a good penetration across geographies of different income levels. The bank's performance for 2009 and 2010 in low-income tracts (2.8 percent and 3.7 percent, respectively) was consistent with area demographics (3.3 percent) and exceeded aggregate data (2.6 percent and 2.0 percent, respectively). The bank's lending performance in moderate-income tracts for 2009 and 2010 (14.5 percent and 12.7 percent, respectively) was slightly below area demographics (16.0 percent), but exceeded aggregate data (10.8 percent and 8.8 percent, respectively).

The median age of housing stock is considerably older in the LMI tracts, equaling 52 years in the low-income tracts and 45 years in the moderate-income tracts; compared to 30 years in middle-income tracts and 17 years in the upper-income tracts.

Community contacts in the Kansas City AA indicated that due to the age of the housing stock there has been a greater demand for home improvement lending in LMI areas. The bank has recognized this through its community outreach programs and specifically targets this product within the LMI tracts of the AA in order to improve the housing stock for LMI residents.

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's business lending performance for 2009 and 2010 was generally below area demographics, but consistent with aggregate data. The bank did not originate any farm loans for 2009 and 2010 in low-income tracts, but area demographics and peer lending were also minimal. In moderate-income tracts for 2009 and 2010, the bank's performance was consistent with area demographics and slightly above peer data. Little weight is given to farm loans in the evaluation due to the small number of originations and farms located in the AA.

Table 9
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT¹
KC MO-KS MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations ²							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/89	3.7	0.0	9.3	6.7	38.0	51.7	49.1	41.6
Home Refinance	389/308	0.3	1.0	6.4	5.8	41.9	36.7	51.4	56.5
Home Improvement	145/134	2.8	3.7	14.5	12.7	52.4	47.0	30.3	36.6
Total HMDA Loans³	642/532	1.4	1.5	8.7	7.7	43.6	41.9	46.3	48.9
Percentage of owner-occupied housing units in AA by income level of tract ⁴		3.3		16.0		46.5		34.2	
Aggregate Peer Data⁵									
Home Purchase		0.7	0.6	8.7	8.5	45.7	43.6	44.9	47.2
Home Refinance		0.6	0.4	5.9	4.5	38.9	35.8	54.6	59.2
Home Improvement		2.6	2.0	10.8	8.8	44.0	41.9	42.6	47.2
Total HMDA Loans		0.7	0.6	6.9	5.9	41.3	38.5	51.1	55.1
Business Loans:									
Business Loans	910/759	3.0	2.5	14.1	14.5	41.5	35.8	39.9	44.8
Percentage of businesses in AA by income level of tract ⁶		3.9	3.9	15.5	15.3	42.6	42.7	37.0	37.2
Aggregate CRA lending in AA ⁵		2.8	2.8	14.2	12.9	39.6	36.7	41.1	44.6
Farm Loans:									
Farm Loans	47/31	0.0	0.0	2.1	3.2	76.6	67.7	21.3	29.0
Percentage of farms in AA by income level of tract ⁶		0.4	0.3	3.0	2.8	63.3	63.7	32.8	32.8
Aggregate CRA lending in AA ⁵		0.3	0.0	1.6	1.7	69.3	71.2	27.8	25.3

- 1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
- 2 The tract category is unknown for a small number of business loans (14 in 2009; 18 in 2010), so not all tract categories add up to 100 percent.
- 3 Total HMDA loans include multifamily loans (0 in 2009; 1 in 2010), though these are not displayed or analyzed due to low volume.
- 4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
- 5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
- 6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 10 and Table 11, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and distribution among businesses of different revenue sizes.

Home Purchase Loans

The bank's distribution to low-income borrowers for 2009 (15.7 percent) and 2010 (14.6 percent) was slightly below area demographics⁴ (17.8 percent) but above aggregate data (12.2 percent and 13.1 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (28.7 percent and 16.9 percent, respectively). This level was above or consistent with area demographics (18.3 percent) and was above aggregate data for 2009 (24.4 percent) but below aggregate data for 2010 (22.5 percent).

Refinance Loans

The bank's distribution to low-income borrowers for 2009 (7.7 percent) and 2010 (8.4 percent) was well below area demographics (17.8 percent) but was above aggregate data (5.2 percent and 4.6 percent, respectively). The bank's distribution to moderate-income borrowers was adequate for both 2009 and 2010 (14.9 percent and 12.3 percent, respectively). This level was below area demographics (18.3 percent) and consistent with aggregate data (13.9 percent and 13.4 percent, respectively).

Community contacts indicated that LMI borrowers are less likely to refinance their residences. The contacts indicated that many LMI residents typically have credit history issues; but primarily attributed low refinances to the lack of financial education regarding the benefits of home mortgage refinance. In addition, the decline in overall home values in the market has hindered the ability to seek refinance loans.

Home Improvement Loans

The bank's distribution to low-income borrowers for 2009 (15.9 percent) and 2010 (19.4 percent) compared favorably with area demographics (17.8 percent) and was well above the aggregate data (11.9 percent and 11.1 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (22.1 percent and 20.9 percent, respectively) was higher than the area demographic (18.3 percent) and aggregate (19.0 percent and 18.8 percent, respectively). The bank has made significant efforts to market its home improvement lending program, especially targeting areas that include LMI borrowers.

Home improvement lending was identified as a need for LMI borrowers by community contacts, as the age of affordable housing stock is typically older and in need of repair. A

⁴ The area demographic figure used for comparison purposes for all home purchase, home improvement, and refinance loans for the *borrower* distribution test is the percentage of *families* in the AA in each income category, based on 2000 Census data.

contact further stated that most LMI borrowers discover that potential homes for purchase in their price range are in need of repair, so many may decide to commit funds towards improving their current homes instead of purchasing.

Table 10 DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER KC MO-KS MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/89	15.7	14.6	28.7	16.9	18.5	23.6	35.2	36.0
Home Refinance	389/308	7.7	8.4	14.9	12.3	23.1	18.5	45.8	57.1
Home Improvement	145/134	15.9	19.4	22.1	20.9	22.1	18.7	39.3	40.3
Total HMDA Loans ¹	642/532	10.9	12.2	18.8	15.2	22.1	19.4	42.5	49.2
Percentage of families in AA by income level ²		17.8		18.3		23.4		40.5	
Aggregate Peer Data ³									
Home Purchase		12.2	13.1	24.4	22.5	20.3	20.0	24.1	26.9
Home Refinance		5.2	4.6	13.9	13.4	20.1	19.4	35.4	39.4
Home Improvement		11.9	11.1	19.0	18.8	24.1	21.0	35.4	35.7
Total HMDA Loans ¹		7.7	7.5	17.5	16.4	20.2	19.6	31.7	35.3
1 Borrower annual incomes reported as 'NA' for some bank (36 in 2009; 21 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (0 in 2009; 1 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. 2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations. 3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Business and Farm Loans

The bank's distribution of loans to small businesses, those businesses with gross annual revenues of \$1 million or less, is considered adequate. The bank's penetration was well below the demographic figure of small businesses in the AA for 2009 (49.7 percent vs. 87.2 percent) and 2010 (51.6 percent vs. 87.3 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and demographic figures were adjusted to consider only those with known revenues, the comparison improves somewhat (59.7 percent vs. 92.5 percent for 2009; 63.5 percent vs. 92.5 percent for 2010), as the demographic figures did not have as many unreported revenues. D&B demographic figures are gathered using a self-reported survey method, and there will typically be companies in the AA that do not participate in the survey. Therefore, comparison to aggregate data may be a better comparative.

Aggregate data includes all CRA LAR-filing banks with business and farm loan originations in the AA. The bank's performance was favorable compared to aggregate data, equaling approximately 21 to 27 percentage points above the aggregate data. (Note: Insufficient data was available to adjust the aggregate for 'NA' revenue codes.) Aggregate data is typically

skewed downward by large credit card lenders that may have many credit card issuances to larger corporations for employee use for business expenses. To eliminate the effect of large credit card banks, a custom peer of three local/regional community institutions selected by the bank as primary area competitors was utilized. Using this custom peer, the comparative peer figures increased to 44.2 percent for 2010. The bank's performance remained above this peer group.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is good. The bank's lending performance was below area demographics, but consistent with aggregate data. Again, there are a relatively large number of lines with 'NA' reported for revenues. Adjusted figures place the bank's performance near the demographic figure. As previously mentioned, little weight is given to farm loans in the evaluation due to the small number of originations and farms within the Kansas City MSA AA.

**Table 11
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
KC MO-KS MSA AA**

Business Loans	2009			2010		
	Small¹	Large	NA	Small¹	Large	NA
Bank - Number of business loans	452	305	153	392	225	142
Bank - Percentage of loans by size of business	49.7	33.5	16.8	51.6	29.6	18.7
Demographic - Percentage of businesses in the AA ²	87.2	7.1	5.7	87.3	7.1	5.6
Aggregate CRA lending to small businesses in AA ³	22.3			30.1		
Farm Loans						
Bank - Number of farm loans	36.0	1.0	10.0	26.0	1.0	4.0
Bank - Percentage of loans by size of farm	76.6	2.1	21.3	83.9	3.2	12.9
Demographic - Percentage of farms in the AA ²	97.5	1.1	1.4	97.7	1.0	1.3
Aggregate CRA lending to small farms in AA ³	78.4			79.2		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of \$1 million or less.
2 The percentage of businesses or in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Kansas City MSA AA, where it originated 72 loans for \$234.9 million during the evaluation period. The distribution of community development lending included 2 for affordable housing, 43 for economic development, 15 for revitalization or stabilization of LMI geographies, and 12 for community services targeted towards LMI families or individuals. Some of the loans for economic development were SBA 504 loans greater than \$1 million (so they were not

reportable on the CRA LAR as business loans). Other examples of community development lending included:

- A \$4.4 million loan to finance the rehabilitation of a multifamily housing complex located in a moderate-income tract. The area is part of the Unified Government of Wyandotte County's designated redevelopment area and is consistent with the citywide master plan to revitalize and stabilize blighted areas of Wyandotte County.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank's performance with respect to the investment test in the Kansas City MSA AA is rated "high satisfactory". The bank had a significant level of qualified community development investments and donations in the Kansas City MSA AA. Investments in the area totaled \$32.5 million and included 88 investments in bonds, SBICs, equity funds, and tax credits. Five SBIC bonds had investments in the bank's Kansas City market. Three of the SBIC bonds are considered complex and innovative, as they were underwritten by an affiliate of the bank. Most of the qualified investments were current period investments, as only four investments totaling \$746,628 were made prior to the evaluation period and remained on the bank's books. Examples of current period investments included:

- \$2.1 million in two Missouri State Development Finance Board bonds that provided improvements to the water treatment facilities for Independence, Missouri. The city of Independence, Missouri, primarily contains LMI tracts; the enhanced water treatment facilities are part of the Independence Enhanced Enterprise Zone, which plans to attract more economic development opportunities with updated infrastructure, while also providing better facilities to attract and retain residents.
- \$5.7 million in state of Kansas Rehabilitation Tax Credits that support the renovation of a 48-building complex of multifamily units located in a moderate-income tract. The complex was renovated to provide affordable housing to workers employed at various industrial plants in the Fairfax Industrial District of Kansas City, Kansas.

The bank has shown good responsiveness to area community development needs through its donation activities. The bank submitted 456 donations within the AA during the review period totaling \$768,082. Of the donations reviewed, 232 were qualified for community development purposes totaling \$522,482, which represented 21.1 percent of the bank's total qualified donations by number and 24.2 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test in the Kansas City MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services. Kansas City is one of two markets where Commerce Bank has established a full-time CRA Market Contact whose primary duties involve meeting with community organizations that target LMI areas and LMI individuals. The contact promotes bank products and services within these areas, with certain products specifically targeted to LMI and unbanked individuals.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is adequate. Two of the bank's 49 Kansas City MSA AA branches are located in low-income tracts and nine are in moderate-income tracts. This represents 22.4 percent of AA branches located in LMI tracts, compared to 34.5 percent of total AA tracts that are LMI. Four additional branches are very near LMI tracts. Since the last examination, the bank closed two branch locations and opened one new branch office, all in middle- and upper-income geographies. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary from branch to branch in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is a leader in the provision of community development services in the Kansas City MSA AA, with 80 qualified services provided during the review period. Approximately 65 percent of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include providing financial educational sessions for school children as part of Junior Achievement and Money Smart programs, as well as services provided to the Boys and Girls Club of Greater Kansas City, Clay County Economic Development Council, Cristo Rey High School, and the Hispanic Chamber of Commerce.

One community contact interviewed for the examination and one prior community contact reviewed stressed a need for financial literacy classes for LMI individuals in the Kansas City MSA. The bank's CRA Market Contact indicated that bank staff is actively involved in several financial literacy efforts, including partnering with the Federal Reserve Bank of Kansas City and the FDIC for Money Smart Week, which the bank has expanded to an entire month, and Bank On/Save Up KC.

ST. LOUIS, MO-IL MULTISTATE METROPOLITAN STATISTICAL AREA

CRA RATING FOR ST. LOUIS MSA: ⁵ **“OUTSTANDING”**
The lending test is rated: ***“High Satisfactory”***
The investment test is rated: ***“Outstanding”***
The service test is rated: ***“Outstanding”***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans that are responsive to meeting affordable housing needs, sustaining jobs in LMI areas, and providing financing to small businesses.
- The bank provided an excellent level of community development investments and grants in the AA that were responsive to meeting affordable housing needs, revitalizing and stabilizing LMI areas, and supporting organizations that provide essential services to LMI individuals. The bank employs occasional use of innovative or complex qualified investments.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels was good and the distribution to businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

Each multistate MSA AA with branches in more than one state is required to have a full-scope review. The scope of the St. Louis MSA AA was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. Due to the significant bank presence, the two multistate MSA AAs will receive the greatest weight in the overall rating.

One community contact interview was conducted in the AA and two prior community contacts conducted during the previous two years were referenced.

⁵ This rating reflects performance within the multistate MSA. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate MSA.

DESCRIPTION OF BANK'S OPERATIONS IN THE ST. LOUIS MSA AA

The bank has 50 branches located in the AA and has closed five branches since the last evaluation. All branch closings were located in middle- and upper-income tracts. The St. Louis market represents the bank's second largest presence, with 31.2 percent of total bank deposits as of June 30, 2011. As of that date, the bank had a deposit market share within the MSA of 6.9 percent, making it the fourth largest of 145 FDIC-insured financial institutions in the MSA. Loan products offered in the market mirror those discussed in the overall institution section of this report, with an emphasis on commercial loans and residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of the City of St. Louis, plus six of 15 counties in the MSA (St. Louis City is not in a county). The 2000 AA population equaled 2.4 million, or 88.5 percent of the entire MSA population of 2.7 million. Since the AA comprises such a high percentage of the total MSA population, AA demographics, such as the concentration of families and age distribution, mirror MSA figures. Demographic characteristics do vary by county. St. Louis County, where the majority of the bank's branches are located, has a relatively high level of elderly residents (greater than age 65), while St. Charles County and Jefferson County have lower concentrations of elderly and higher concentrations of working age adults (25 to 64). St. Louis County had 42.5 percent of the total AA population as of 2000 Census data, dropping slightly as of 2010 data, to 40.4 percent. The county that has grown the most is St. Charles County, increasing from 11.9 percent of the total AA in 2000 to 14.6 percent as of 2010.

The largest industry sectors in the St. Louis MSA are educational and health services (17.3 percent), professional and business services (14.3 percent), government (13.3 percent), retail trade (10.7 percent), and leisure and hospitality (10.7 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; U.S. Bureau of Economic Analysis [BEA], 2009)

The MSA's largest nongovernment employers are BJC Healthcare (23,380 employees), Boeing Integrated Defense Systems (16,400), Scott Air Force Base (14,150), Schnuck Markets, Inc. (12,393), Wal-Mart Stores, Inc. (12,137), SSM Health Care System (10,700), Washington University in St. Louis (10,300), St. John's Mercy Health Care (10,100), McDonald's Corporation (9,000), and AT&T (8,800). (Source: FDIC RECON/St. Louis Regional Chamber and Growth Association, September 2009)

The St. Louis MSA economy was mired in a severe recession marked by massive manufacturing job losses and the highest unemployment rate in the region, averaging 10.0 percent for 2009 and 2010. However, the area has begun to turn around for the first half of 2011, as job growth in the MSA outpaced that of the state and nation, led by manufacturing, trade, and transportation. Manufacturers are beginning to show confidence in the economic recovery, as gains in production and profits over the last two years have finally led to hiring.

The percentage of families in the AA that are considered low- (19.1 percent), moderate- (17.8 percent), middle- (22.2 percent), and upper-income (40.9) mirror the overall MSA figures, and generally mirror the overall state figures for Missouri and Illinois. However, these figures vary widely by county within the AA. St. Louis County has a relatively low level of LMI families (combined LMI, 30.7 percent vs. the AA figure of 36.9 percent). St. Louis City has a very high level of LMI families (62.1 percent), as does St. Clair County, Illinois (44.5 percent). The county with the lowest level is St. Charles County (24.4 percent). The percentage of AA families below the poverty level (7.6 percent) also mirrored the entire MSA, as of 2000 data. St. Louis City (20.8 percent) and St. Clair County, Illinois (11.8 percent) were again the highest in the AA, while Monroe County, Illinois (2.3 percent) and St. Charles County, Missouri (2.8 percent) were the lowest.

Based on 2000 Census data, the concentration of owner-occupied housing units was lowest in St. Louis City (39.1 percent) and St. Clair County, Illinois (62.1 percent), where most AA LMI tracts are located. This is below the AA average of 65.7 percent, which mirrors the overall MSA. Owner-occupied units have the highest concentrations in St. Charles County, Missouri (79.0 percent), Jefferson County, Missouri (78.9 percent), and Monroe County, Illinois (76.7 percent). St. Louis County has 42.1 percent of total AA housing units, and 70.8 percent are owner-occupied. There is a higher concentration of rental units in St. Louis City (44.3 percent of total housing units). The median age of housing units is highest in St. Louis City, at 59 years vs. 36 years for the overall AA; and is lowest in St. Charles County, at only 16 years.

The AA's 2000 housing affordability ratio (46.1 percent) mirrored the entire MSA (46.4 percent), and was higher (more affordable) than the state of Illinois (36.5 percent) and the state of Missouri (43.7 percent). Median housing values were highest in St. Louis County (\$114,800), St. Charles County (\$122,600), and Monroe County, Illinois (\$125,900). However, these three counties were relatively affordable (44.0 percent, 46.7 percent, and 43.9 percent, respectively). St. Louis City had the lowest 2000 median housing value (\$63,500); however, it also had the lowest median household income (\$27,156). Therefore, the affordability ratio was slightly lower, at 42.8 percent.

Table 12 shows income, housing, and general demographic characteristics of the AA.

**Table 12
ASSESSMENT AREA DEMOGRAPHICS
ST. LOUIS MSA AA**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	55	11.2	33,814	5.4	12,171	36.0	119,902	19.1
Moderate-income	119	24.2	120,077	19.1	18,757	15.6	112,162	17.9
Middle-income	200	40.7	292,953	46.6	13,618	4.6	139,271	22.2
Upper-income	114	23.2	181,484	28.9	3,464	1.9	256,993	40.9
Unknown-income	4	0.8	0	0.0	0	0.0	0	0.0
Total AA	492	100.0	628,328	100.0	48,010	7.6	628,328	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	71,010	21,735	3.3	30.6	33,078	46.6	16,197	22.8
Moderate-income	218,568	113,488	17.2	51.9	80,720	36.9	24,360	11.1
Middle-income	462,749	322,803	48.9	69.8	117,362	25.4	22,584	4.9
Upper-income	252,874	201,972	30.6	79.9	42,345	16.7	8,557	3.4
Unknown-income	139	6	0.0	4.3	79	56.8	54	38.8
Total AA	1,005,340	660,004	100.0	65.6	273,584	27.2	71,752	7.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	4,652	4.6	3,834	4.3	420	5.7	398	7.1
Moderate-income	17,330	17.1	14,916	16.9	1,288	17.6	1,126	20.0
Middle-income	44,228	43.6	38,842	43.9	3,143	42.9	2,243	39.9
Upper-income	34,832	34.4	30,631	34.6	2,394	32.7	1,807	32.2
Unknown-income	336	0.3	220	0.2	74	1.0	42	0.7
Total AA	101,378	100.0	88,443	100.0	7,319	100.0	5,616	100.0
	Percentage of Total Businesses:			87.2		7.2		5.5

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. LOUIS MSA

LENDING TEST

The bank's performance with respect to the lending test in the St. Louis MSA AA is rated "high satisfactory". The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The

borrower distribution analysis reflected good performance in the AA for HMDA loans, but only an adequate distribution of loans to small businesses. The bank's geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The bank's lending activity reflected a good responsiveness to AA credit needs. The review of this market included 1,694 HMDA loans, which represented 27.0 percent of total HMDA loans reviewed for this evaluation; and 1,867 CRA loans, which represented 19.6 percent of total CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 20 percent, while the deposits in the AA equaled approximately 30 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of only 42.1 percent.

Although the LTD ratio is relatively low, the level of SBA lending in the AA boosts the bank's lending activity test to adequate. For our review period, the bank originated 64 SBA loans totaling nearly \$23 million in the MSA. A 2011 article in the St. Louis Business Journal stated that Commerce Bank has been the leading SBA lender by dollar amount in the St. Louis area since 2009. The top six lenders accounted for approximately half the local SBA funding.

Geographic Distribution:

As shown in Table 13, the geographic distribution of the bank's residential mortgage loans and business loans reflected an adequate loan penetration among geographies of different income levels.

The median age of housing stock is considerably older in the LMI tracts, equaling 54 years in the low-income tracts and 49 years in the moderate-income tracts; compared to 34 years in middle-income tracts and 24 years in the upper-income tracts. The AA has a total of 174 LMI tracts, with a majority in St. Louis City. The LMI tracts contain more rental units, equaling 46.6 percent in the low- and 36.9 percent in the moderate-income tracts; compared to 27.2 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in LMI geographies. For 2009 and 2010, the bank's performance in LMI geographies was generally below area demographics, but consistent with aggregate figures. The bank's performance for 2009 in low-income geographies (4.6 percent) exceeded the area demographics (3.3 percent) and aggregate data (1.8 percent).

The weak economy and poor housing market contributed to the low demand for home purchase loans. Residential construction remains depressed and home prices and sales

continue to slide. The LMI geographies also have lower home purchase demand due to AA demographics regarding rental units and housing stock.

Refinance Loans

Refinance lending across geographies of different income levels also reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.6 percent and 0.4 percent, respectively) was below area demographics (3.3 percent) and slightly below aggregate data (0.9 percent and 0.6 percent, respectively). However, the bank's performance in moderate-income geographies was better (8.6 percent and 8.5 percent, respectively). While still below area demographics (17.2 percent) it was above aggregate data (8.0 percent and 6.2 percent, respectively). As with home purchase loans, the weak economy, poor housing market, and area demographics contribute to lower demand for refinance lending.

Table 13
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT¹
ST. LOUIS MO-IL MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations ²							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/86	4.6	1.2	13.9	8.1	45.4	41.9	36.1	48.8
Home Refinance	625/532	0.6	0.4	8.6	8.5	45.3	47.0	45.4	44.2
Home Improvement	160/161	1.3	3.7	17.5	14.9	49.4	55.3	31.9	26.1
Total HMDA Loans³	902/787	1.3	1.1	11.0	9.7	46.0	48.3	41.7	40.9
Percentage of owner-occupied housing units in AA by income level of tract ⁴		3.3		17.2		48.9		30.6	
Aggregate Peer Data⁵									
Home Purchase		1.8	1.3	14.0	11.9	52.5	52.0	31.6	34.7
Home Refinance		0.9	0.6	8.0	6.2	46.9	44.6	44.2	48.7
Home Improvement		1.5	1.6	14.2	14.1	51.0	54.2	33.3	30.1
Total HMDA Loans		1.1	0.8	9.7	7.9	48.5	46.8	40.6	44.6
Business Loans:									
Business Loans	1211/1145	2.4	3.5	14.2	14.8	43.3	43.3	39.5	37.8
Percentage of businesses in AA by income level of tract ⁶		4.7	4.6	17.3	17.1	43.5	43.6	34.1	34.4
Aggregate CRA lending in AA ⁵		3.6	3.1	14.2	12.8	43.0	41.3	37.9	41.0

- 1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
- 2 The tract category is unknown for a small number of business loans (8 in 2009; 7 in 2010), so not all tract categories add up to 100 percent.
- 3 Total HMDA loans include multifamily loans (9 in 2009; 8 in 2010), though these are not displayed or analyzed due to low volume.
- 4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
- 5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
- 6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good disbursement. The bank's performance for 2009 and 2010 in low-income tracts (1.3 percent and 3.7 percent, respectively) was near or slightly above area demographics (3.3 percent) and was near or exceeded aggregate data (1.5 percent and 1.6 percent, respectively). The bank's lending performance in moderate-income tracts was similar, as 2009 and 2010 bank performance (17.5 percent and 14.9 percent, respectively) was

similar to area demographics (17.2 percent) and exceeded aggregate data (14.2 percent and 14.1 percent, respectively).

Community contacts in the St. Louis AA indicated that due to the age of the housing stock there has been a greater demand for home improvement lending. Commerce Bank has recognized this through its community outreach programs and has specifically targeted this product within the LMI tracts of the AA in order to improve the housing stock in LMI neighborhoods.

Business Loans

The geographic distribution of business loans is adequate in LMI geographies. The bank's performance for 2009 and 2010 was generally below area demographics, but very similar to the aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 14 and Table 15, the borrower distribution of the bank's lending reflected adequate distribution among individuals of different income levels and adequate distribution among businesses of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (8.3 percent) and 2010 (12.8 percent) was below area demographics (19.1 percent) and aggregate data (12.2 percent and 13.4 percent, respectively). However, the bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (27.8 percent and 26.7 percent, respectively). This level was significantly above area demographics (17.9 percent) and was slightly above aggregate data (25.6 percent and 23.3 percent, respectively).

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (7.2 percent) and 2010 (9.6 percent) was well below area demographics (19.1 percent) but was above aggregate data (5.1 percent and 4.8 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (17.6 percent and 20.1 percent, respectively). This level was equal to or above area demographics (17.9 percent) and exceeded aggregate data (14.4 percent and 13.1 percent, respectively).

Community contacts in St. Louis indicated that LMI borrowers are less likely to refinance their residences. Contacts indicated that many LMI residents typically have credit history issues; but primarily attributed low refinances to the lack of financial education regarding seeking a refinance.

Table 14									
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER									
ST. LOUIS MO-IL MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/86	8.3	12.8	27.8	26.7	24.1	16.3	25.9	40.7
Home Refinance	625/532	7.2	9.6	17.6	20.1	22.4	22.6	48.6	43.2
Home Improvement	160/161	16.9	20.5	18.1	20.5	26.9	24.2	36.3	34.8
Total HMDA Loans ¹	902/787	9.0	12.1	18.7	20.7	23.2	22.0	43.2	40.8
Percentage of families in AA by income level ²		19.1		17.9		22.2		40.9	
Aggregate Peer Data ³									
Home Purchase		12.2	13.4	25.6	23.3	19.9	19.6	24.2	28.6
Home Refinance		5.1	4.8	14.4	13.1	19.7	19.2	38.4	44.6
Home Improvement		10.6	10.6	18.2	18.8	24.4	22.5	38.4	39.9
Total HMDA Loans ¹		7.0	7.2	17.4	15.9	19.8	19.3	34.6	40.2
¹ Borrower annual incomes reported as 'NA' for some bank (53 in 2009; 35 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (9 in 2009; 8 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.									
² The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.									
³ Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (16.9 percent) and 2010 (20.5 percent, respectively) was consistent with area demographics (19.1 percent) and above the aggregate data (10.6 percent for both years). The bank's distribution to moderate-income borrowers for 2009 and 2010 (18.1 percent and 20.5 percent, respectively) was higher than the area demographic (17.9 percent) and aggregate (18.2 percent and 18.8 percent, respectively).

Home improvement lending was identified as a need for LMI borrowers by community contacts, as the age of the housing stock is typically older and in need of repair. The bank has made significant efforts to market its home improvement lending program, especially targeting areas that include LMI borrowers.

Business Loans

The bank's distribution of loans to small businesses is considered adequate. However, the penetration was well below the demographic figure of small businesses in the AA for 2009 (47.7 percent vs. 87.2 percent) and 2010 (46.0 percent vs. 87.2 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and

the demographic figures are adjusted, the comparison improves somewhat (60.8 percent vs. 92.4 percent for 2009; 57.5 percent vs. 92.4 percent for 2010). Comparison to aggregate data may be a better comparative.

The bank's performance was favorable compared to aggregate data, equaling approximately 8 to 24 percentage points above the aggregate. To eliminate the affect of large credit card banks, a custom peer of three local/regional community institutions selected by the bank as primary area competitors was utilized. Using this custom peer, the comparative peer figures increased to 62.1 percent for 2010, placing the bank's performance below this peer group.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 15 DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM ST. LOUIS MO-IL MSA AA						
Business Loans	2009			2010		
	Small¹	Large	NA	Small¹	Large	NA
Bank - Number of business loans	578	373	260	527	389	229
Bank - Percentage of loans by size of business	47.7	30.8	21.5	46.0	34.0	20.0
Demographic - Percentage of businesses in the AA ²	87.2	7.2	5.6	87.2	7.2	5.5
Aggregate CRA lending to small businesses in AA ³	23.6			37.8		
¹ Small businesses, as defined by the CRA, are those with gross annual revenues of \$1 million or less. ² The percentage of businesses in the AA is based on 2010 D&B business data. ³ Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.						

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the St. Louis MSA AA, where it originated 74 loans for \$113.7 million during the evaluation period. The distribution of community development lending included 8 for affordable housing, 20 for economic development, 5 for revitalization or stabilization of LMI geographies, and 41 for community services targeted towards LMI families or individuals. Some of the loans for economic development were SBA 504 loans greater than \$1 million. Other examples of community development lending included:

- A \$12 million loan to finance working capital and acquisition costs to provide affordable housing in the LMI neighborhoods of Forest Park Southeast and the Central West End. This loan represents a partnership between a local hospital and university to improve the neighborhoods with employer-assisted housing, home repair funding, youth activities, and improving the level of physical and personal security.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank's performance with respect to the investment test in the St. Louis MSA AA is rated "outstanding". The bank had an excellent level of qualified community development investments and donations in the St. Louis MSA AA. Investments in the area totaled \$71.1 million and included 123 investments in bonds, SBICs, equity funds, and tax credits. Four SBIC bonds had investments in the bank's St. Louis market. The SBIC bonds are considered complex and innovative, as all four were underwritten by an affiliate of the bank. Most of the qualified investments were current period investments, as only 20 investments totaling \$19.1 million were made prior to the evaluation period and remained on the bank's books. Examples of current period investments included:

- \$26.5 million in CFB, an SBIC subsidiary of CBI.
- \$1.3 million in St. Louis Equity Funds engaging in seven residential and mixed residential/commercial construction or rehabilitation projects that assist in neighborhood revitalization and the provision of decent, safe, sanitary, and affordable housing primarily to low-income households. The bank also has \$1.6 million in prior period investments in this fund, which engaged in 14 different projects.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 545 donations made in the AA during the review period totaling \$1.2 million. Of the donations reviewed, 295 were qualified for community development purposes totaling \$899,194, which represented 26.8 percent of the bank's total qualified donations by number and 41.7 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test in the St. Louis MSA AA is rated "outstanding" based on the accessibility of delivery systems and the high level of community development services. St. Louis is one of two markets where Commerce Bank has established a full-time CRA Market Contact whose primary duties involve meeting with community organizations that target LMI areas and LMI individuals. The contact promotes bank products and services within these areas with certain products specifically targeted to LMI and unbanked individuals.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market. The bank operates 50 branch locations in the St. Louis MSA AA, 2 of which are located in low-income geographies, 9 in moderate-income, 21 in middle-income, and 17 in upper-income tracts. Since the last examination, the bank closed five branch locations, all in middle- and upper-income geographies. Banking offices are readily accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is a leader in the provision of community development services in the St. Louis MSA AA, with 125 qualified services provided during the review period. Approximately 78 percent of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include providing financial educational sessions for school children as part of Junior Achievement (57 qualified sessions) and Teach Children to Save (13), as well as services provided to the Affordable Workforce Housing Association, Community Asset Management, Co., DeSales Community Housing Corporation, Economic Development Center of St. Charles County, and the St. Louis County Economic Council.

STATE OF MISSOURI

CRA RATING FOR MISSOURI:⁶	<u>"Outstanding"</u>
<i>The lending test is rated:</i>	<i>"High Satisfactory"</i>
<i>The investment test is rated:</i>	<i>"Outstanding"</i>
<i>The service test is rated:</i>	<i>"Outstanding"</i>

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided an excellent level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected good responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

The scope of the review for the state of Missouri was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The two AAs chosen for full-scope reviews were the Springfield MSA AA and the Columbia MSA AA. Within the state, the greatest deposit concentration was in the Springfield MSA, which accounted for 6.0 percent of total bank deposits, followed by the Columbia MSA with 2.3 percent. The bank's presence in the Springfield MSA ranked first out of 41 banks, and in the Columbia MSA it ranked third out of 35 banks. Together, these two AAs had a majority of the bank's deposits, branches, population, LMI tracts, owner-occupied housing units, and business establishments in the state. Accordingly, the state of Missouri rating was based predominantly on the bank's performance within these two AAs. The other eleven Missouri AAs (four MSAs and seven nonmetropolitan) were assessed using limited review procedures. During the evaluation, two prior community contacts conducted during the previous two years within the Columbia MSA were referenced. No prior Springfield contacts could be obtained.

⁶ For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within multistate MSAs. Refer to the multistate MSAs' rating and discussion for the rating and evaluation of the institution's performance in those areas.

DESCRIPTION OF BANK'S OPERATIONS IN MISSOURI

Outside of the Kansas City and St. Louis multistate MSA AAs, the bank's Missouri markets include six MSA AAs and seven nonmetropolitan AAs. The bank has a presence in every Missouri MSA except the Fayetteville-Springdale-Rogers Arkansas-Missouri, which is primarily located in Arkansas but includes one county in Missouri. The bank has 52 branches in these 13 Missouri AAs. The state of Missouri represents the bank's third largest presence, with a combined 16.7 percent of total bank deposits as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSOURI

LENDING TEST

The bank's performance with respect to the lending test in the state is rated "high satisfactory". The bank is a leader in community development lending, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered good. The bank's level of lending is relatively high within the statewide AAs (outside of the multistate MSAs). The borrower and geographic distribution analyses reflect adequate performance. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Missouri review, included 2,195 HMDA loans, which represented 35.0 percent of total HMDA loans reviewed for this evaluation; and 2,224 CRA loans, which represented 41.1 percent of total CRA loans. Per the bank's internal analysis, the statewide (within the AAs) LTD ratio equaled 80.6 percent for 2010. This represents good lending activity within the state.

Lending Programs

The Missouri Linked Deposit Program was developed by the state of Missouri to create and retain jobs, expand the economy, and strengthen communities statewide by providing below market rate business loans with up to five-year fixed rate terms. Banks obtain state funds at reduced deposit rates and in turn make reduced-rate loans to businesses with fewer than 100 employees that are headquartered and operating in Missouri. Commerce Bank is the largest participant in the program, with \$120.8 million in loans as of September 30, 2011. The next largest participant had less than \$23 million. The majority of the bank's lending came in 2011. During our review period, 2009 and 2010, the bank's level of funding in this program equaled \$29.4 million. The majority of these loans are reported on the HMDA or CRA LAR.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of HMDA-related and business loans reflected adequate penetration in LMI tracts throughout all the Missouri AAs. In the full review and limited review AAs, the bank's performance was typically lagging the demographic data. However, the bank's HMDA performance was similar to or slightly exceeded aggregate HMDA reporters, and the bank's business lending performance consistently exceeded that of aggregate CRA reporters.

The bank's distribution of HMDA-related loans and business loans reflected adequate penetration among borrowers of different income levels and businesses of different revenue sizes. This conclusion was based on the bank's performance in all AAs. While the HMDA loan distribution was generally less than the demographic data, the distribution was similar to the aggregate performance. Small business performance was also below demographic data, but significantly above aggregate data in all AAs.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending throughout the Missouri AAs. The high level of activity had a positive impact on the overall lending test rating. The bank made 67 loan commitments in the Missouri AAs, totaling \$105.8 million. A significant volume of the lending is in the Springfield MSA AA, where 17 community development loans totaling \$27.1 million were originated. There were also a significant number of loans in the limited review nonmetropolitan AAs combined, where 17 loans were originated totaling \$54.8 million.

The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration. The majority of community development loans were for economic development, originated to small businesses per SBA guidelines, where the businesses employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization. These loans were generally to businesses located in LMI tracts that are part of Enterprise Zones.

INVESTMENT TEST

The state of Missouri investment test rating is "outstanding" as the bank exhibits excellent responsiveness to community development needs within the state's AAs. The bank's investment activity within the state during the two-year evaluation period totaled \$71.9 million and was considered excellent. This level represents a 143-percent increase from the prior evaluation, which covered a four-year evaluation period. While the community development investment level in the Columbia MSA AA was considered somewhat weaker than the statewide level, it was still considered significant. The Missouri rating was influenced by the

excellent investment activity in the Springfield MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state.

Forty of the 56 total investments were to revitalize or stabilize communities. There were five statewide affordable housing equity investments totaling \$4.1 million. Four SBIC bonds had investments in the nonmetropolitan AAs totaling \$3.9 million. The SBIC bonds are considered complex and innovative, as all were underwritten by an affiliate of the bank.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 564 donations within the state for the review period, totaling \$534,226. Of the donations reviewed, 280 were qualified for community development purposes totaling \$301,602 and representing 25.4 percent of the bank's total qualified donations by number and 13.9 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test is rated "outstanding" for the state of Missouri. The rating is based on the bank's performance in the Springfield and Columbia MSAs, as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services. Fourteen of the bank's 52 banking offices (26.9 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of services offered by the bank and branch business hours does not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

Commerce Bank is considered a leader in providing community development services in the Springfield MSA AA and provided a relatively high level of services in the Columbia MSA AA. Most community development services provided supported community services to LMI individuals and economic development. Fourteen of the services were in the Springfield MSA AA, ten were in the Columbia MSA AA, and 99 were in the other 11 limited review AAs.

**SPRINGFIELD, MO METROPOLITAN STATISTICAL AREA
(Full Review)**

DESCRIPTION OF BANK'S OPERATIONS IN THE SPRINGFIELD MSA AA

The bank's Springfield MSA AA includes four of five counties in the MSA. This AA has 13 branches and 35.7 percent of the bank's total state deposits as of June 30, 2011. The bank's presence in the Springfield MSA ranks first out of 41 banks.

DESCRIPTION OF ASSESSMENT AREA

The AA 2000 population of 368,374 represented 91.6 percent of the entire MSA population. As of 2010 Census data, the MSA population increased 18.6 percent to 436,712. Greene County contains the core city of Springfield, and its 2000 population represented 72.4 percent of the total AA population and 66.6 percent of the total MSA population. Greene County also houses nine of the bank's 13 AA branches.

The largest industry sectors in the Springfield MSA are educational and health services (19.7 percent), government (14.6 percent), retail trade (12.7 percent), and professional and business services (10.3 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are St. John's Regional Health Center (6,841 employees), Cox Health Systems (6,355), Wal-Mart Stores, Inc. (3,927), Missouri State University (3,065), Bass Pro Shops (2,326), and Citizens Memorial Hospital (1,600). (Source: FDIC RECON/Springfield Business & Development Corporation, February 2008)

The unemployment rate for the MSA in 2009 and 2010 was 8.7 percent. This was below the statewide and U.S unemployment rates, both of which equaled 9.3 percent in 2009 and 9.6 percent in 2010. Between 2007 and 2010, the metropolitan area lost nearly one-third of its manufacturing employment, with machinery, metal, and furniture manufacturing leading the decline, which spanned every manufacturing industry. Although healthcare and Missouri State University have managed to avoid job losses, economic recovery in the Springfield MSA has been slow. Most of the jobs added have been in the lower-paying retail, leisure, and hospitality industries, while construction activity continues to stagnate at a cyclical low.

Due to Missouri State University, Greene County has a slightly higher population of residents aged 18 to 24 than the other counties in the AA. However, it has slightly fewer residents aged 17 and younger. The level of residents that are most likely to create loan demand, age 25 and over, is similar to the other AA counties. The concentration of residents living in college dormitories equaled 2.3 percent, compared to the overall statewide figure of 0.8 percent.

The percentage of families that are considered low-, moderate-, middle-, and upper-income in the AA, the overall MSA, and Greene County generally mirror overall state figures for Missouri. Of the four AA counties, Dallas County and Polk County have relatively high levels of LMI families (combined LMI of 49.2 percent and 45.2 percent, respectively, vs. the AA figure of 36.4 percent). These two counties are more rural in nature and have low populations. Dallas County has two moderate-income census tracts that are some distance from the bank's branches; while Polk County has one moderate-income census tract, near the bank's Bolivar, Missouri branches. The percentage of AA families below the poverty level (8.1 percent) also mirrored the entire MSA and Missouri figures, as of 2000 Census data. Dallas County and Polk County were again relatively high, equaling 14.2 percent and 11.1 percent, respectively.

Table 16 shows income, housing, and general demographic characteristics of the AA.

Table 16 ASSESSMENT AREA DEMOGRAPHICS SPRINGFIELD MO MSA AA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	2.5	225	0.3	89	39.6	15,435	17.2
Moderate-income	18	22.2	17,306	19.3	2,949	17.0	17,221	19.2
Middle-income	40	49.4	47,068	52.5	3,548	7.5	21,517	24.0
Upper-income	21	25.9	25,081	28.0	693	2.8	35,507	39.6
Total AA	81	100.0	89,680	100.0	7,279	8.1	89,680	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,774	35	0.0	2.0	1,551	87.4	188	10.6
Moderate-income	32,523	15,904	17.7	48.9	13,265	40.8	3,354	10.3
Middle-income	74,747	47,280	52.6	63.3	22,491	30.1	4,976	6.7
Upper-income	35,397	26,584	29.6	75.1	7,121	20.1	1,692	4.8
Total AA	144,441	89,803	100.0	62.2	44,428	30.8	10,210	7.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	424	2.4	358	2.3	41	3.8	25	3.0
Moderate-income	3,114	17.8	2,609	16.7	303	27.9	202	24.5
Middle-income	8,822	50.3	8,013	51.3	436	40.1	373	45.3
Upper-income	5,171	29.5	4,641	29.7	306	28.2	224	27.2
Total AA	17,531	100.0	15,621	100.0	1,086	100.0	824	100.0
	Percentage of Total Businesses:			89.1		6.2		4.7

Based on 2000 Census data and 2010 D&B data.

Based on 2000 Census data and 2010 D&B data.

The housing affordability ratio in the Springfield MSA AA equaled 38.7 percent as of the 2000 Census, less affordable than the statewide figure of 43.7 percent. The low affordability

ratio in the AA is driven by lower incomes, rather than high housing prices. The AA and MSA rental housing concentration is above the overall state figure, primarily due to the concentration of rental units in Greene County (34.0 percent of total housing units), where the university is located. The concentration of mobile homes is high in Polk County (20.0 percent) and Dallas County (23.1 percent), well above the overall AA figure of 7.7 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SPRINGFIELD MSA

LENDING TEST

The bank's performance with respect to the lending test in the Springfield MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is adequate. The bank's level of lending is relatively high within the AA. The borrower distribution analysis reflected an adequate performance in the MSA, as did the geographic distribution. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review of this market included 452 HMDA loans for the review period, which represented 20.6 percent of total HMDA loans within the state; and 542 CRA loans, which represented 21.3 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 6.2 percent, while the deposits in the AA equaled approximately 4.9 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 78.0 percent. For our review period, the bank originated 27 SBA loans totaling \$6.4 million in the MSA. The bank's lending activity represents excellent lending levels.

Geographic Distribution:

As shown in Table 17, the bank's geographic distribution of residential mortgage loans and business and farm loans reflected an adequate loan penetration among geographies of different income levels.

The AA's two low-income tracts and 15 of 18 moderate-income tracts are located in Greene County, in the core City of Springfield. The two low-income tracts contain the Missouri State University campus and very few owner-occupied housing units, so the bank is not expected to make mortgage loans in these tracts. The concentration of rental units is more pronounced at 87.4 percent of total housing units in the low-income tracts and 40.8 percent in the moderate-income tracts; compared to 30.8 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

The median age of housing stock is somewhat older in the LMI tracts, equaling 38 to 39 years in the LMI tracts; compared to 23 years in middle-income tracts and 18 years in the upper-income tracts. This may increase the need for home improvement loans in the LMI tracts.

**Table 17
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT¹
SPRINGFIELD MO MSA AA**

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	53/39	0.0	0.0	15.1	7.7	41.5	59.0	43.4	33.3
Home Refinance	151/132	0.0	0.0	10.6	9.1	53.0	51.5	36.4	39.4
Home Improvement	38/37	0.0	0.0	10.5	13.5	52.6	73.0	36.8	13.5
Total HMDA Loans²	244/208	0.0	0.0	11.9	9.6	50.4	56.7	37.7	33.7
Percentage of owner-occupied housing units in AA by income level of tract ³		0.0		17.7		52.6		29.6	
Aggregate Peer Data ⁴									
Home Purchase		0.1	0.1	12.3	11.6	56.6	55.4	30.9	32.9
Home Refinance		0.0	0.0	7.8	6.9	50.5	48.9	41.6	44.1
Home Improvement		0.4	0.4	12.3	15.9	56.4	54.7	30.9	28.9
Total HMDA Loans		0.1	0.1	9.5	8.8	52.7	51.3	37.6	39.9
Business Loans:									
Business Loans	371/314	1.9	2.5	17.0	16.9	52.0	51.6	29.1	29.0
Percentage of businesses in AA by income level of tract ⁵		2.5	2.4	17.9	17.8	50.4	50.3	29.3	29.5
Aggregate CRA lending in AA ⁴		2.3	2.8	17.7	16.5	45.5	45.0	32.8	32.4
Farm Loans:									
Farm Loans	202/179	0.0	0.0	14.9	15.1	78.2	79.9	6.9	5.0
Percentage of farms in AA by income level of tract ⁵		0.3	0.2	17.0	17.1	66.4	65.9	16.2	16.8
Aggregate CRA lending in AA ⁴		0.0	0.0	14.6	16.7	75.7	73.2	9.2	8.7

- 1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
- 2 Total HMDA loans include multifamily loans (2 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume.
- 3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
- 4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
- 5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in moderate-income geographies. The bank's performance in moderate-income tracts for 2009 and 2010 (15.1 percent and 7.7 percent, respectively) was below area demographics (17.7 percent), above the aggregate figure for 2009 (12.3 percent), but below aggregate in 2010 (11.6 percent).

Refinance Loans

The bank's distribution of refinance loans also reflected adequate penetration in moderate-income tracts. The bank's performance for 2009 and 2010 (10.6 percent and 9.1 percent, respectively) was below area demographics (17.7 percent) but above aggregate data (7.8 percent and 6.9 percent, respectively).

Home Improvement Loans

The distribution of home improvement loans across geographies of different income levels reflected adequate distribution. The bank's performance for 2009 and 2010 in moderate-income tracts (10.5 percent and 13.5 percent, respectively) was below area demographics (17.7 percent) and slightly below aggregate data (12.3 percent and 15.9 percent, respectively).

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's performance in 2009 and 2010 was consistent with demographics and aggregate data.

Distribution by Borrower Income and Revenue Size of Business or Farm:

As shown in Table 18, the borrower distribution of the bank's lending reflected adequate distribution among individuals of different income levels and among businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers was adequate. The bank's distribution to low-income borrowers for 2009 (9.4 percent) and 2010 (7.7 percent) was below area demographics (17.2 percent) and aggregate data (10.2 percent and 11.2 percent, respectively). The bank's distribution to moderate-income borrowers was somewhat low, but adequate for both 2009 and 2010 (17.0 percent and 17.9 percent, respectively). This level was slightly below area demographics (19.2 percent) and below aggregate data (23.0 percent and 23.7 percent, respectively). The incomes in the Springfield AA are much less than Kansas City and St. Louis, causing the housing affordability ratio to be lower (less affordable). This may have an impact on the ability of LMI families to afford home purchases in the AA.

However, the bank's performance is not keeping up with aggregate figures, so room for improvement is noted.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits adequate performance. The bank's distribution to low-income borrowers for 2009 (6.6 percent) and 2010 (3.0 percent) was well below area demographics (17.2 percent), but more in line with aggregate data (5.0 percent and 4.9 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (13.2 percent and 19.7 percent, respectively). This level was below demographics for 2009 but above demographics in 2010 (19.2 percent) and was consistent with or above aggregate data (13.4 percent and 14.0 percent, respectively).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (13.2 percent) and 2010 (24.3 percent) was consistent with or above area demographics (17.2 percent) and above the aggregate data (11.3 percent for both years). The bank's distribution to moderate-income borrowers for 2009 (15.8 percent) was below area demographics (19.2 percent) but above the aggregate (13.4 percent). For 2010, the bank's distribution (21.6 percent) exceeded the demographic (19.2 percent) and aggregate (21.4 percent). The bank's home improvement performance in this AA also reflects the significant efforts to market this product in areas that include LMI borrowers.

Table 18									
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER									
SPRINGFIELD MO MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	53/39	9.4	7.7	17.0	17.9	15.1	23.1	39.6	35.9
Home Refinance	151/132	6.6	3.0	13.2	19.7	16.6	16.7	46.4	47.0
Home Improvement	38/37	13.2	24.3	15.8	21.6	31.6	35.1	39.5	18.9
Total HMDA Loans ¹	244/208	8.2	7.7	14.3	19.7	18.4	21.2	43.4	39.9
Percentage of families in AA by income level ²		17.2		19.2		24.0		39.6	
Aggregate Peer Data ³									
Home Purchase		10.2	11.2	23.0	23.7	20.5	20.3	26.0	27.0
Home Refinance		5.0	4.9	13.4	14.0	19.4	20.2	38.6	40.7
Home Improvement		11.3	11.3	18.8	21.4	23.8	27.9	40.4	33.1
Total HMDA Loans ¹		6.9	7.2	16.9	17.4	19.8	20.4	34.2	35.8
1 Borrower annual incomes reported as 'NA' for some bank (38 in 2009; 24 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (2 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.									
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.									
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Business and Farm Loans

The bank's distribution of loans to small businesses is considered adequate. The penetration was well below the demographic figure of small businesses in the AA for 2009 (54.2 percent vs. 88.9 percent) and 2010 (52.5 percent vs. 89.1 percent). The bank had a large percentage of loans where revenue information was not reported. Adjusting both the bank and the demographic figures to consider only those with reported revenues, the comparison improves somewhat (68.8 percent vs. 93.4 percent for 2009; 66.0 percent vs. 93.5 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance was favorable compared to aggregate data, equaling approximately 9 to 29 percentage points above the aggregate data.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is adequate. The bank's lending performance is below area demographics, but consistent with aggregate data. Again, there are a relatively large number of lines with 'NA' reported for revenues. Adjusted figures for the

bank mirror the demographic figures. This product is given greater weight in the Springfield MSA AA than most other AAs.

**Table 19
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
SPRINGFIELD MO MSA AA**

Business Loans	2009			2010		
	Small¹	Large	NA	Small¹	Large	NA
Bank - Number of business loans	201	91	79	165	85	64
Bank - Percentage of loans by size of business	54.2	24.5	21.3	52.5	27.1	20.4
Demographic - Percentage of businesses in the AA ²	88.9	6.3	4.8	89.1	6.2	4.7
Aggregate CRA lending to small businesses in AA ³	25.1			43.2		
Farm Loans						
Bank - Number of farm loans	158	3	41	153	1	25
Bank - Percentage of loans by size of farm	78.2	1.5	20.3	85.5	0.6	14.0
Demographic - Percentage of farms in the AA ²	99.0	0.7	0.3	99.2	0.7	0.2
Aggregate CRA lending to small farms in AA ³	82.6			86.2		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of \$1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Springfield MSA AA, where it originated 17 loans for \$27.2 million during the evaluation period. The distribution of community development lending included one for affordable housing, nine for economic development, three for revitalization or stabilization of LMI geographies, and four for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A \$2.1 million loan to a nonprofit organization located in a low-income tract. The organization maintains a thrift shop with 100 percent of proceeds benefiting services targeted to the homeless and LMI individuals of the area.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Springfield MSA AA. Investments in the area totaled \$6.9 million. The investments included 13 tax credits that were to revitalize and stabilize LMI geographies and were located within the Springfield Enterprise Zone. The bank had two prior period bonds that were still on the books that provided public building revitalization and stabilization efforts in an LMI area within the Springfield Enterprise Zone.

The bank shows good responsiveness to area community development needs through its donation activities, submitting 91 donations in the AA during the review period totaling \$102,212. Of the donations reviewed, 40 qualified for community development purposes totaling \$50,980, which represented 14.3 percent of the bank's statewide total qualified donations by number and 16.9 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Springfield MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

Commerce Bank operates 14 branch locations in the Springfield MSA AA, with one in a low-income geography, three in moderate-income, seven in middle-income, and three in upper-income tracts. Since the last examination, the bank closed one branch and opened one branch, both located in moderate-income geographies. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Springfield MSA AA, with 14 qualified services provided during the review period. Twelve of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to Habitat for Humanity, United Way, Resources for Missouri, Boys and Girls Clubs of Springfield, and the Discovery Center.

**COLUMBIA, MISSOURI METROPOLITAN STATISTICAL AREA
(Full Review)**

DESCRIPTION OF BANK'S OPERATIONS IN THE COLUMBIA MSA AA

The bank's Columbia MSA AA includes one of two MSA counties, Boone County, which contains the core city of Columbia. This AA has nine branches and 14.0 percent of the bank's total state deposits as of June 30, 2011. The bank's operations in this AA were similar to that of the St. Joseph MSA AA, but this AA was chosen for a full review due to the presence of eleven LMI tracts, compared to only five in the St. Joseph MSA AA.

The nature of the bank's HMDA lending in the Columbia market represents a slightly higher concentration in business purpose, nonowner-occupied loans. This results in a higher number of loans to business entities, for which banks are not required to report income on the HMDA LAR. In the Columbia AA, incomes reported as 'NA' totaled 24.7 percent of total AA HMDA loans, higher than the overall bank figure of 10.8 percent. This was more pronounced in 2010, with 35.1 percent of loans with reported income of 'NA', vs. only 12.8 percent in 2009.

DESCRIPTION OF ASSESSMENT AREA

The AA 2000 population of 135,454 represented 93.0 percent of the entire Columbia MSA population. As of 2010 Census data, the MSA population increased 18.6 percent, from 145,666 in 2000 to 172,786. The largest industry sectors in the MSA are government (33.8 percent), retail trade (12.6 percent), educational and health services (12.5 percent), and leisure and hospitality (10.9 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010)

The MSA's largest nongovernment employers are the University of Missouri-Columbia (8,630 employees), University Hospital and Clinics (4,279), Boone Hospital Center (1,647), U.S. Department of Veteran Affairs (1,250), and Shelter Insurance Companies (1,171). (Source: FDIC RECON/Regional Economic Development, Inc., March 2011)

High educational attainment in the MSA has been a key advantage, and is expected to continue to promote strong long-term growth and help insulate the MSA from recession. The percentage of residents with a bachelor's degree or higher was 44 percent in 2009, ranking Columbia 11th among all U.S. MSAs. A highly educated workforce helps attract high-value-added business and contributes to the MSA's low unemployment rate (6.5 percent at year-end 2010). Because the jobless rate is lower among educated workers, the MSA's unemployment rate has historically stood about three percentage points below the national average.

The MSA's recovery has slowed somewhat in 2011. Retail and state government payrolls, sustained by the university, have been the main drivers of expansion since the recovery

began. Due to the university, Boone County has a much higher population of residents aged 18 to 24 than the overall state of Missouri (19.9 percent vs. 9.6 percent).

Table 20 shows income, housing, and general demographic characteristics of the AA.

Table 20 ASSESSMENT AREA DEMOGRAPHICS COLUMBIA MO MSA AA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	17.2	1,279	4.0	484	37.8	6,047	19.1
Moderate-income	6	20.7	3,751	11.8	610	16.3	5,673	17.9
Middle-income	13	44.8	18,059	57.0	985	5.5	7,245	22.9
Upper-income	5	17.2	8,576	27.1	312	3.6	12,700	40.1
Total AA	29	100.0	31,665	100.0	2,391	7.6	31,665	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	4,751	560	1.8	11.8	3,647	76.8	544	11.5
Moderate-income	9,794	3,235	10.6	33.0	5,998	61.2	561	5.7
Middle-income	28,291	18,068	59.2	63.9	8,355	29.5	1,868	6.6
Upper-income	13,842	8,666	28.4	62.6	4,565	33.0	611	4.4
Total AA	56,678	30,529	100.0	53.9	22,565	39.8	3,584	6.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,135	16.7	962	15.8	102	25.8	71	22.0
Moderate-income	926	13.6	797	13.1	69	17.5	60	18.6
Middle-income	3,074	45.3	2,799	46.1	165	41.8	110	34.1
Upper-income	1,656	24.4	1,515	24.9	59	14.9	82	25.4
Total AA	6,791	100.0	6,073	100.0	395	100.0	323	100.0
	Percentage of Total Businesses:			89.4		5.8		4.8
Based on 2000 Census data and 2010 D&B data.								

The percentage of families considered low-, moderate-, middle-, and upper-income in the AA generally mirror the overall state figures. The percentage of AA families below the poverty level is slightly lower than the Missouri figure (7.6 percent vs. 8.6 percent, as of 2000 data).

Despite higher house prices, homes in Kansas City and St. Louis areas are actually more affordable than those in Columbia when accounting for incomes, as Columbia's MFI is below

the national average despite the higher rate of educational attainment. The housing affordability ratio for Boone County equaled 37.4 percent as of the 2000 Census, less affordable than the statewide figure of 43.7 percent.

The AA's percentage of rental housing units is above the overall state figure (39.8 percent of total housing units vs. 26.7 percent), primarily due to the university. Conversely, owner-occupied units are below the state figure (53.9 percent vs. 63.2 percent). The AA concentration of residents living in college dormitories equaled 5.5 percent, compared to the overall statewide figure of 0.8 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLUMBIA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Columbia MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is relatively high within the AA. The borrower distribution analysis reflected adequate performance in the AA, and the geographic distribution was also adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 320 HMDA loans, which represented 14.6 percent of total HMDA loans within the state; and 155 CRA loans, which represented 7.8 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 6.2 percent, while the deposits in the AA equaled approximately 4.9 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 72.1 percent. For our review period, the bank originated 27 SBA loans totaling \$6.4 million in the AA. The bank's lending activity test represents good lending levels.

Geographic Distribution:

As shown in Table 21, the geographic distribution of the bank's residential mortgage loans and business loans reflected an adequate loan penetration among geographies of different income levels.

Much of the University of Missouri campus is within two low-, two moderate-, and one upper-income tract. The low-income tracts also include downtown Columbia and the I-70 business loop. These factors may affect lending opportunities in the LMI tracts, especially for residential lending.

The LMI tracts contain larger concentrations of families below the poverty level, equaling 37.8 percent of families in the low-income tracts and 16.3 percent in the moderate-income tracts; well above the 7.6 percent figure for the overall AA. These demographics may also impact the ability of residents in the LMI tracts to afford home ownership.

The LMI tracts contain very high levels of rental units, equaling 76.8 percent of total housing units in the low-income tracts and 61.2 percent in the moderate-income tracts, compared to 39.8 percent for the AA overall. Therefore, these tracts may contain more opportunities for lending on nonowner-occupied units.

The median age of housing stock is somewhat older in the LMI tracts, equaling 38 years in the low-income tracts and 25 years in the moderate-income tracts; compared to 22 years in middle-income tracts and 19 years in the upper-income tracts. This may create higher demand for home improvement loans in the LMI tracts.

Home Purchase Loans

The geographic distribution of home purchase loans was adequate throughout the AA. For 2009 and 2010, the bank's performance in low-income tracts (8.3 percent and 6.3 percent, respectively) was well above area demographics (1.8 percent) and aggregate data (1.9 percent and 1.4 percent, respectively). However, the bank's performance in moderate-income tracts for 2009 and 2010 (4.2 percent and 9.4 percent, respectively) was below demographics (10.6 percent) and aggregate data (12.9 percent and 11.8 percent, respectively).

Since the bank has a higher concentration of business purpose HMDA loans in this AA (likely rentals and rehabs), and the LMI tracts have very high concentrations of rental units, a better demographic comparison would be total 1- to 4-family housing units, as comparison to owner-occupied housing units overstates the bank's performance somewhat. In the low-income tracts, this comparison would place the bank right in line with the demographic figure of 8.4 percent. However, this comparison places the bank further behind the demographic in the moderate-income tracts, with the new demographic comparison equaling 17.3 percent.

Using both demographic comparisons, the bank's performance lagged behind aggregate figures in the moderate-income tracts. However, the bank showed good performance in low-income tracts.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.9 percent and 3.4 percent, respectively) was consistent with area demographics (1.8 percent) and above aggregate data (0.7 percent and 0.9 percent, respectively). The performance in moderate-income geographies for 2009 and 2010 (8.0 percent and 6.8 percent, respectively) was below area demographics (10.6 percent) and

consistent with aggregate data (8.1 percent and 7.8 percent, respectively). Refinance lending carries the most weight of the HMDA products due to higher volume.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels is adequate. The bank had no loan originations in low-income tracts for 2009 or 2010, and none in the moderate-income tracts in 2010. However, given the low loan volume (13 in 2009; 17 in 2010) and the low level of owner-occupied units in the low-income tracts (only 1.8 percent of total AA owner-occupied units), this is considered adequate, as only one reported loan in an LMI tract would boost the bank's performance to 6 to 8 percent, and this performance would be well above the demographic figure.

The overall bank philosophy of providing home improvement loans to LMI individuals and tracts does not hold true in this AA's LMI tracts. The high level of rental units may provide further context, as investment property owners may obtain purchase/improvement loans upfront at the time of acquisition of the units, or upkeep of rental properties may be funded from a property management company's working capital line as opposed to HMDA-reportable home improvement loans.

The bank's 2009 performance in moderate-income tracts (15.4 percent) was above the area demographic figure for owner-occupied (10.6 percent), in line with the demographic figure of total 1- to 4-family housing units (17.3 percent), and was well above aggregate data (8.4 percent). However, the volume represented only two home improvement loans originated by the bank.

**Table 21
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT¹
COLUMBIA MO MSA AA**

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
HMDA Loans:									
Home Purchase	24/32	8.3	6.3	4.2	9.4	58.3	53.1	29.2	31.3
Home Refinance	112/118	0.9	3.4	8.0	6.8	68.8	61.9	22.3	28.0
Home Improvement	13/17	0.0	0.0	15.4	0.0	69.2	64.7	15.4	35.3
Total HMDA Loans²	149/171	2.0	3.5	8.1	7.6	67.1	60.2	22.8	28.7
Percentage of owner-occupied housing units in AA by income level of tract ³		1.8		10.6		59.2		28.4	
Aggregate Peer Data⁴									
Home Purchase		1.9	1.4	12.9	11.8	63.0	61.1	22.3	25.8
Home Refinance		0.7	0.9	8.1	7.8	60.0	59.5	31.2	31.8
Home Improvement		0.8	3.1	8.4	7.3	62.0	57.5	28.8	32.1
Total HMDA Loans		1.1	1.2	9.8	9.3	61.1	59.9	28.0	29.5
Business Loans:									
Business Loans	197/162	18.3	16.0	12.7	11.1	37.6	45.7	31.5	27.2
Percentage of businesses in AA by income level of tract ⁵		16.9	16.7	14.0	13.6	45.1	45.3	24.0	24.4
Aggregate CRA lending in AA ⁴		17.8	17.0	13.3	12.5	44.7	44.2	23.4	25.2

- 1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
- 2 Total HMDA loans include multifamily loans (0 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home improvement loans remained in the analysis.
- 3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
- 4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
- 5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Business Loans

The geographic distribution of business loans is good in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 22, the bank's borrower distribution reflected adequate distribution among individuals of different income levels and businesses of different revenue sizes.

To provide additional context, the analysis below for 2010 home purchase and refinance loans (products where the bank's LAR reported a higher level of nonowner-occupied lines) includes a comparison of the bank's performance after removing those loans without reported incomes in order to focus a secondary review specifically on the bank's distribution of owner-occupied lines.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers is adequate. The bank's distribution to low-income borrowers for 2009 (12.5 percent) and 2010 (3.1 percent) was below area demographics (19.1 percent) and slightly above the aggregate figure for 2009 (11.2 percent) but well below aggregate data for 2010 (11.3 percent).

The bank's distribution to moderate-income borrowers was strong for 2009 (41.7 percent), exceeding area demographics (17.9 percent), and aggregate data (26.4 percent). The performance to moderate-income borrowers in 2010 was considerably lower (12.5 percent), and was below demographics (17.9 percent) and aggregate data (23.8 percent). When focusing only on loans with reported revenues, lending to moderate-income borrowers for 2010 improves to 25.0 percent vs. 28.1 percent for the aggregate, which is adequate.

Refinance Loans

The bank's level of refinance loans to LMI borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (5.4 percent) and 2010 (2.5 percent) was well below area demographics (19.1 percent) and was slightly below aggregate data (6.4 percent and 4.4 percent, respectively).

The bank's distribution to moderate-income borrowers for 2009 (10.7 percent) and 2010 (10.2 percent) was below the demographic (17.9 percent) and aggregate (14.9 percent and 14.1 percent, respectively). When focusing only on loans with reported revenues in order to provide more focus to owner-occupied refinance loans, lending to moderate-income borrowers for 2010 improves to 15.2 percent vs. 16.2 percent for the aggregate, which is adequate.

Table 22
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
COLUMBIA MO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	24/32	12.5	3.1	41.7	12.5	4.2	6.3	41.7	28.1
Home Refinance	112/118	5.4	2.5	10.7	10.2	16.1	20.3	50.9	33.9
Home Improvement	13/17	0.0	5.9	30.8	11.8	23.1	41.2	46.2	35.3
Total HMDA Loans ¹	149/171	6.0	2.9	17.4	10.5	14.8	19.3	49.0	32.2
Percentage of families in AA by income level ²		19.1		17.9		22.9		40.0	
Aggregate Peer Data ³									
Home Purchase		11.2	11.3	26.4	23.8	23.1	21.5	27.3	28.1
Home Refinance		6.4	4.4	14.9	14.1	20.9	23.1	43.4	45.3
Home Improvement		10.0	10.9	19.6	15.5	23.6	24.4	42.4	43.0
Total HMDA Loans ¹		8.1	7.2	19.0	17.7	21.7	22.4	37.7	38.6

1 Borrower annual incomes reported as 'NA' for some bank (19 in 2009; 60 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (0 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home improvement loans remained in the analysis.

2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.

3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Home Improvement Loans

The overall level of home improvement lending was low, but reflected good performance. The bank's distribution to low-income borrowers for 2009 (0.0 percent) and 2010 (5.9 percent) was well below area demographics (19.1 percent) and the aggregate data (10.0 percent and 10.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 was very strong (30.8 percent) and was well above area demographics (17.9 percent) and the aggregate (19.6 percent). For 2010, the bank's distribution was considerably lower (11.8 percent) and below both demographic (17.9 percent) and aggregate data (15.5 percent).

Business Loans

The bank's distribution of loans to small businesses is considered adequate. However, the penetration is well below the demographic figure of small businesses in the AA for 2009 (28.4 percent vs. 89.1 percent) and 2010 (33.3 percent vs. 89.4 percent).

The data is somewhat skewed due to the bank's very large percentage of loans where revenue information was not reported. After adjusting both bank and demographic figures to exclude unreported revenues and focus only on those that are known, the comparison improves considerably (70.0 percent vs. 93.6 percent for 2009; 72.0 percent vs. 93.9 percent for 2010).

Comparison to aggregate data may be a better comparative. The bank's performance compared to aggregate data is slightly higher in 2009, but below the aggregate in 2010. Adjusted figures for unreported revenues are not available for aggregate numbers. However, given the bank's high level of unreported revenues, the comparison to aggregate would likely improve if adjusted numbers for each could be prepared. The more revenue information that is collected and reported, the less the data is skewed in the comparisons to demographic and aggregate figures.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 23 DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM COLUMBIA MO MSA AA						
Business Loans	2009			2010		
	Small¹	Large	NA	Small¹	Large	NA
Bank - Number of business loans	56	24	117	54	21	87
Bank - Percentage of loans by size of business	28.4	12.2	59.4	33.3	13.0	53.7
Demographic - Percentage of businesses in the AA ²	89.1	6.1	4.9	89.4	5.8	4.8
Aggregate CRA lending to small businesses in AA ³	23.5			42.1		
¹ Small businesses, as defined by the CRA, are those with gross annual revenues of \$1 million or less. ² The percentage of businesses in the AA is based on 2010 D&B business data. ³ Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.						

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Columbia MSA AA, where it originated 16 loans for \$9.3 million during the evaluation period. The distribution of community development lending included one for affordable housing, three for economic development, one for revitalization or stabilization of LMI geographies, and eleven for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A \$2 million loan to a City of Columbia nonprofit organization that is located in a moderate-income tract. The organization has an economic development purpose for area businesses by providing job services targeted to LMI individuals in the area.
- Two loans totaling \$2.2 million to a nonprofit organization that provides various programs, services, and healthcare targeted to LMI individuals.

INVESTMENT TEST

The bank had a significant level of qualified community development investments and donations in the Columbia MSA AA. Investments in the area totaled \$2.1 million. The equity investments included five current period tax credits that were to revitalize and stabilize LMI geographies and were located within state designated distressed areas.

The bank shows good responsiveness to AA community development needs through its donation activities. The bank submitted 72 donations made in the AA during the review period totaling \$143,250. Of the donations reviewed, 34 were qualified for community development purposes totaling \$64,540, which represented 12.1 percent of the bank's statewide total qualified donations by number and 21.4 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Columbia MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

Commerce Bank operates eight branch locations in the Columbia MSA AA, of which two are located in low-income, two are in moderate-income, one is in middle-income, and three are in upper-income tracts. Since the last examination, the bank closed one office that was located in a low-income geography. The closed branch was located in a business section of the MSA and was within one mile of two additional branch offices. A full-service ATM was also maintained near the closed branch office. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Columbia MSA AA, with ten qualified services provided during the review period. Eight of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to the Community Development Corporation of Columbia, Heart of Missouri United Way, the Central Missouri Food Bank, and SCORE - America's Small Business Owners.

OTHER MISSOURI METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW MISSOURI MSA AAs

St. Joseph, MO MSA AA

The bank's St. Joseph MSA AA includes two of four counties in the MSA. This AA has three branches and 12.9 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 17.5 percent of total HMDA loans within the state, and business loans in the AA equaled 9.4 percent of total state CRA LAR business loans.

Jefferson City, MO MSA AA

The bank's Jefferson City MSA AA includes one of four counties in the MSA. This AA has two branches and 2.7 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 3.6 percent of total HMDA loans within the state, and business loans in the AA equaled 7.4 percent of total state CRA LAR business loans.

Joplin, MO MSA AA

The bank's Joplin MSA AA includes both of the two counties that comprise the MSA. This AA has four branches and 7.7 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 6.0 percent of total HMDA loans within the state, and business loans in the AA equaled 3.6 percent of total state CRA LAR business loans.

Cape Girardeau, MO MSA AA

The bank's Cape Girardeau MSA AA includes one of three counties in the MSA, and does not include the sole county on the Illinois side of the state line. This AA has four branches and 3.6 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 5.2 percent of total HMDA loans within the state, and business loans in the AA equaled 6.2 percent of total state CRA LAR business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW MO MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for those AAs with full-scope reviews, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Cape Girardeau, MO MSA AA	Consistent	Below	Below
Jefferson City, MO MSA AA	Consistent	Below	Below
Joplin, MO MSA AA	Consistent	Consistent	Below
St. Joseph, MO MSA AA	Consistent	Below	Consistent

NONMETROPOLITAN STATEWIDE MISSOURI
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN NONMETROPOLITAN MISSOURI AAs

The bank has delineated seven nonmetropolitan AAs throughout the state of Missouri, referred to as the Branson AA, Southwest Missouri AA, St. Francois AA, Lebanon AA, Poplar Bluff AA, Mexico/Moberly AA, and the Hannibal AA. The bank's product offerings in these markets mirror the overall institution, with primary lending products including commercial loans and residential real estate loans.

Combined, these nonmetropolitan AAs comprised 3.9 percent of total bank deposits as of June 30, 2011, with the largest, the Mexico/Moberly AA, equaling 1.1 percent of total bank deposits. These combined nonmetropolitan AAs held 23.4 percent of the bank's statewide deposits (excluding the multistate MSAs) and accounted for 32.6 percent of statewide HMDA originations and 44.4 percent of statewide CRA LAR originations.

In the Mexico/Moberly AA, the bank's deposit market share equaled 22.6 percent, giving it the largest share of 12 financial institutions in the two county market. The bank's market share in the Lebanon market equaled 20.6 percent, ranking second of seven financial institutions in the county. All other AAs' market share rankings ranged from fourth to tenth. Each AA has one to four bank branches located in the market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN MISSOURI AAs

The conclusions for all nonmetropolitan Missouri AAs were based on a limited review, and did not alter the overall state rating.

Assessment Area	Lending Test	Investment Test	Service Test
All Rural Missouri AAs Combined	Consistent	Below	Below

STATE OF KANSAS

CRA RATING FOR KANSAS:⁷	<u>"Outstanding"</u>
<i>The lending test is rated:</i>	<i>"High Satisfactory"</i>
<i>The investment test is rated:</i>	<i>"Outstanding"</i>
<i>The service test is rated:</i>	<i>"Outstanding"</i>

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided an excellent level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and loans to businesses and farms of different revenue sizes was good.
- The geographic distribution of home mortgage, business, and farm loans was adequate.

SCOPE OF EXAMINATION

The scope of the review for the state of Kansas was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The AA chosen for a full-scope review was the Wichita MSA AA. Within the state, the greatest deposit concentration was in this MSA, which accounted for 4.4 percent of total bank deposits, with the other six AAs each having 1.2 percent or less. The bank's presence in the Wichita MSA ranked fifth out of 56 banks. Wichita also had 70.3 percent of all LMI tracts within the bank's Kansas AAs. The other six Kansas AAs (two MSAs and four rural) will be assessed using limited review procedures. During the evaluation, two prior community contacts conducted during the previous two years within the Wichita MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN KANSAS

Outside of the Kansas City multistate MSA AA, the bank's Kansas markets include three MSA AAs and four nonmetropolitan AAs. The bank has 33 branches in these seven AAs. The

⁷ For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within the multistate MSA. Refer to the multistate MSA rating and discussion for the rating and evaluation of the institution's performance in that area.

deposit concentration for the entire state of Kansas equaled 10.3 percent of total bank deposits, as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS

LENDING TEST

The bank's performance with respect to the lending test in the state of Kansas is rated "high satisfactory". The bank is a leader in community development lending in the state AAs, which boosted the bank's overall lending performance rating for the state. Overall, responsiveness to area credit needs is considered adequate. The bank's level of lending is somewhat low within the state (outside of the multistate MSA). The borrower distribution analysis reflected a good performance, while the geographic distribution was adequate. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Kansas review, included 689 HMDA loans, which represented 11.0 percent of total HMDA loans reviewed for this evaluation; and 1,898 CRA loans, which represented 15.6 percent of total CRA loans. Per the bank's internal analysis, the statewide AAs' LTD ratio equaled 41.9 percent for 2010.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of HMDA-related and CRA LAR business and farm loans reflected adequate penetration in LMI tracts throughout all the Kansas AAs. In the full review and limited review AAs, the bank's performance was typically lagging the demographic data. However, the bank's HMDA, business, and farm lending performances were consistent with aggregate HMDA and CRA reporters.

The bank's distribution of residential mortgage, business, and farm loans reflected good penetration among borrowers of different income levels and businesses and farms of different revenue sizes. This conclusion was based on the bank's performance in all AAs. While the HMDA loan distribution was generally less than the demographic data, the distribution was similar to the aggregate performance. The bank's level of lending to small businesses and farms was also below demographic data but was significantly above aggregate data in all AAs.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans in the state, with excellent levels of community development lending throughout the Kansas AAs. The high level of activity had a positive impact on the overall lending test rating. The bank made 55 loan commitments in the Kansas AAs, totaling \$132.6 million. A majority of the

lending was in the Wichita MSA AA, where 25 community development loans totaling \$52.2 million were originated. There were also a significant number of loans in the limited review nonmetropolitan AAs, where 24 loans were originated that totaled \$14.4 million.

The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration. The majority of community development loans (76.8 percent of dollar volume) were for economic development, originated to small businesses per SBA guidelines, and where the businesses employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization (21.2 percent). These loans were generally to businesses located in LMI tracts that are part of Enterprise Zones.

INVESTMENT TEST

The state of Kansas investment test rating is “outstanding” as the bank exhibits excellent responsiveness to community development needs within the state’s AAs. The bank’s investment activity within the state during the two-year evaluation period totaled \$14.3 million and was considered excellent. This level represents a 67 percent increase from the prior evaluation, which used a four-year evaluation period. The investment level in the Wichita AA represented 68.5 percent of the total investments for the state. The Kansas rating was influenced by the excellent investment activity in the Wichita MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state.

Seventy-nine of the 88 total equity investments were for affordable housing projects targeted towards LMI individuals. The other nine investments were SBIC bonds totaling \$2.5 million for economic development purposes. Five of the SBIC bonds are considered complex and innovative, as they were underwritten by an affiliate of the bank.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 446 donations made in the state during the review period, totaling \$526,661. Of the donations reviewed, 194 were qualified for community development purposes totaling \$258,290, which represented 17.6 percent of the bank’s total qualified donations by number and 11.9 percent of the total qualified dollars.

SERVICE TEST

The bank’s performance under the service test is rated “outstanding” for the state of Kansas. The rating is based on the bank’s excellent performance in the Wichita MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services. Fourteen of the bank’s 33 banking offices (42.4 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of

services offered by the bank and business hours do not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

Commerce Bank is considered a leader in providing community development services in the Wichita MSA AA. The level of services provided in the limited review AAs was consistent with the overall outstanding rating of the state. A majority of the community development services supported community services targeted towards LMI individuals and economic development. Thirty-six services were qualified for the Wichita MSA AA and 45 in the limited review AAs.

**WICHITA, KS METROPOLITAN STATISTICAL AREA
(Full Review)**

DESCRIPTION OF BANK'S OPERATIONS IN THE WICHITA MSA AA

The bank's Wichita MSA AA includes two of four counties in the MSA, Butler and Sedgwick. This AA has 12 branches and 42.9 percent of the bank's total state deposits as of June 30, 2011. The bank's presence in the Wichita MSA ranks fifth out of 56 banks.

DESCRIPTION OF ASSESSMENT AREA

As of 2000 Census data, the population of the Wichita MSA AA equaled 512,351, which was 89.7 percent of the entire MSA population of 571,166. The entire MSA's population increased to an estimated 623,061 in 2010, an increase of 9.1 percent. The largest industry sectors in the Wichita MSA are manufacturing (18.5 percent), educational and health services (15.3 percent), government (14.7 percent), retail trade (10.7 percent), and professional and business services (10.2 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are Spirit Aerosystems, Inc. (10,300 employees), Cessna Aircraft Company (6,193), Via Christi Regional Medical Center (5,276), Hawker Beechcraft (5,000), McConnell Air Force Base (3,277), Boeing Integrated Defense Systems (2,300), and Bombardier Aerospace (2,100). (Source: FDIC RECON/Military Installation Guide, 2010; Wichita Business Journal, September 2010)

The Wichita MSA's aerospace industry has long been the catalyst of the MSA economy. This industry is expected to gradually strengthen over the latter half of 2011. However, many of the manufacturing jobs lost during the recession will not return. Cessna and Hawker Beechcraft drastically reduced their workforces in the MSA during the recession, and demand for business jets remains lackluster despite the dramatic improvement in corporate profits and increased access to credit.

While the economy has stabilized, job growth has been flat in the first half of 2011. The unemployment rate at year-end 2010 was 8.6 percent and was above the state unemployment rate of 7.0 percent but below the U.S. unemployment rate of 9.6 percent. The unemployment rate decreased to 7.7 percent in June 2011. This is primarily due to a contracting labor force, however, and not added jobs. (Source: FDIC RECON/ Moody's Economy.com, June 2011)

The MSA does not have a significant backlog of foreclosures that will keep downward pressure on home prices. The housing affordability ratio in the Wichita MSA AA equaled 53.3 percent as of the 2000 Census, more affordable than the overall statewide figure of 50.2 percent. This is also the most affordable of the bank's full review AAs. The AA's percentage of owner-occupied housing units (62.3 percent) mirrors the total statewide figure (63.5 percent).

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income generally mirror statewide figures. The percentage of families below the poverty level for the AA and the entire MSA also mirror statewide figures. In regards to age of population, makeup of families and households, and institutionalized persons, there were no significant anomalies between AA characteristics and total statewide figures that would provide a contextual basis for lending patterns outside the expected norm.

Table 24 shows income, housing, and general demographic characteristics of the AA.

Table 24 ASSESSMENT AREA DEMOGRAPHICS WICHITA KS MSA AA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.8	2,498	1.9	810	32.4	23,825	17.7
Moderate-income	40	30.5	32,180	23.9	4,703	14.6	25,285	18.7
Middle-income	52	39.7	62,385	46.3	2,893	4.6	32,595	24.2
Upper-income	34	26.0	37,818	28.0	774	2.0	53,176	39.4
Total AA	131	100.0	134,881	100.0	9,180	6.8	134,881	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	6,108	1,640	1.2	26.9	3,336	54.6	1,132	18.5
Moderate-income	61,113	27,017	20.2	44.2	27,753	45.4	6,343	10.4
Middle-income	95,706	65,047	48.7	68.0	24,657	25.8	6,002	6.3
Upper-income	51,382	39,758	29.8	77.4	8,763	17.1	2,861	5.6
Total AA	214,309	133,462	100.0	62.3	64,509	30.1	16,338	7.6
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	539	2.5	443	2.3	56	3.7	40	3.3
Moderate-income	5,662	25.7	4,719	24.5	542	35.8	401	32.7
Middle-income	9,427	42.9	8,349	43.4	602	39.8	476	38.8
Upper-income	6,362	28.9	5,740	29.8	313	20.7	309	25.2
Total AA	21,990	100.0	19,251	100.0	1,513	100.0	1,226	100.0
	Percentage of Total Businesses:			87.5		6.9		5.6
Based on 2000 Census data and 2010 D&B data.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WICHITA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Wichita MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The borrower distribution analysis reflected a good performance in the MSA, while the geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 194 HMDA loans, which represented 28.2 percent of total HMDA loans within the state. The bank also originated 478 CRA loans within the AA, which represented 25.2 percent of the total state CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.7 percent, while the deposits in the AA equaled approximately 4.4 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 38.1 percent. Therefore, the lending activity test reflected a low level of lending in this AA.

Geographic Distribution:

As shown in Table 25, the bank's overall geographic distribution of residential mortgage loans and business and farm loans reflected an adequate penetration among geographies of different income levels.

The concentration of rental units is more pronounced within the LMI tracts of the AA. In low-income tracts, only 26.9 percent of housing units are owner-occupied, and 54.6 percent are rentals; and in the moderate-income tracts, 44.2 percent are owner-occupied and 45.4 percent are rentals. These factors will increase the demand for lending on nonowner-occupied units in the LMI tracts. However, the bank's level of lending on nonowner-occupied units on the HMDA LAR was not high in this AA. Therefore, the demographic comparison to owner-occupied units is a relevant comparative in this AA.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank did not originate any home purchase loans in low-income tracts; however, this was considered adequate given the very low level of owner-occupied housing units in these tracts. The bank's performance in moderate-income geographies was generally below area demographics, but consistent with aggregate figures.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. Due to AA demographics, the bank had no loan originations in low-income tracts. The bank's performance for 2009 and 2010 in moderate-income geographies (2.2 percent and 8.5 percent, respectively) was below area demographics (20.2 percent) and aggregate for 2009 (8.1 percent) but above aggregate for 2010 (7.7 percent).

Table 25
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT¹
WICHITA KS MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	41/15	0.0	0.0	9.8	13.3	51.2	60.0	39.0	26.7
Home Refinance	46/47	0.0	0.0	2.2	8.5	37.0	29.8	60.9	61.7
Home Improvement	22/23	9.1	4.3	22.7	8.7	54.5	60.9	13.6	26.1
Total HMDA Loans ²	109/85	1.8	1.2	9.2	9.4	45.9	43.5	43.1	45.9
Percentage of owner-occupied housing units in AA by income level of tract ³		1.2		20.2		48.7		29.8	
Aggregate Peer Data ⁴									
Home Purchase		0.5	0.4	14.0	14.3	45.8	46.8	39.7	38.5
Home Refinance		0.3	0.2	8.1	7.7	45.5	43.9	46.0	48.1
Home Improvement		1.3	1.7	14.1	12.9	48.2	48.4	36.4	37.1
Total HMDA Loans		0.5	0.4	10.8	10.6	45.8	45.3	43.0	43.8
Business Loans:									
Business Loans	210/182	1.0	2.2	27.6	27.5	41.4	41.8	30.0	28.6
Percentage of businesses in AA by income level of tract ⁵		2.5	2.5	26.0	25.7	42.7	42.9	28.8	28.9
Aggregate CRA lending in AA ⁴		3.0	2.3	25.7	25.1	41.0	38.8	29.3	32.1
Farm Loans:									
Farm Loans	45/41	0.0	0.0	4.4	2.4	80.0	78.0	15.6	19.5
Percentage of farms in AA by income level of tract ⁵		0.2	0.2	4.1	4.4	67.6	67.5	28.2	27.9
Aggregate CRA lending in AA ⁴		0.0	0.0	2.2	2.3	77.9	79.1	19.0	17.3
1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent. 2 Total HMDA loans include zero multifamily loans for this AA. 3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data. 4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers. 5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.									

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good penetration. The bank's performance in low-income tracts for 2009 and 2010 (9.1 percent and 4.3 percent, respectively) was well above the demographic

(1.2 percent) and aggregate data (1.3 percent and 1.7 percent, respectively). The bank's performance for 2009 in moderate-income tracts (22.7 percent) was above area demographics (20.2 percent) and aggregate data (14.1 percent). The performance for 2010 (8.7 percent) was below the demographic and slightly above aggregate data (7.7 percent).

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and the aggregate data. Farm loans will carry little weight in this AA, while business loans will carry the most weight.

Distribution by Borrower Income and Revenue Size of Business or Farm:

As shown in Table 26, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibits good performance. The bank's distribution to low-income borrowers for 2009 (17.1 percent) was consistent with area demographics (17.7 percent) and above aggregate data (13.3 percent). The bank did not originate any home purchase loans to low-income borrowers for 2010. The bank's distribution to moderate-income borrowers was good for 2009 (14.6 percent) and strong for 2010 (46.7 percent). The 2009 level was below area demographics (18.7 percent), but the bank's 2010 lending was well above demographics. The bank's performance was also below aggregate data for 2009 (25.1 percent) but significantly above for 2010 (23.0 percent).

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits poor performance. The bank's distribution to low-income borrowers for 2009 (4.3 percent) and 2010 (2.1 percent) was below area demographics (17.7 percent) and aggregate data (6.2 percent and 5.6 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (10.9 percent and 4.3 percent, respectively) was also below area demographics (18.7 percent) and aggregate data (14.1 percent and 13.6 percent, respectively).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (13.6 percent) and 2010 (8.7 percent) was below area demographics (17.7 percent) and consistent with the aggregate data (10.3 percent and 9.5 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 (36.4 percent) was well above area demographics (18.7 percent) and the aggregate

(19.0 percent). For 2010, the bank's distribution (17.4 percent) was consistent with the demographic and aggregate data. The bank's home improvement performance continues to reflect its significant efforts to market the program to LMI borrowers.

Table 26 DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER WICHITA KS MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	41/15	17.1	0.0	14.6	46.7	22.0	13.3	46.3	40.0
Home Refinance	46/47	4.3	2.1	10.9	4.3	21.7	29.8	60.9	59.6
Home Improvement	22/23	13.6	8.7	36.4	17.4	27.3	26.1	22.7	47.8
Total HMDA Loans¹	109/85	11.0	3.5	17.4	15.3	22.9	25.9	47.7	52.9
Percentage of families in AA by income level ²		17.7		18.7		24.2		39.4	
Aggregate Peer Data³									
Home Purchase		13.3	13.8	25.1	23.0	22.9	22.5	25.5	24.7
Home Refinance		6.2	5.6	14.1	13.6	22.5	22.6	39.0	40.2
Home Improvement		10.3	9.5	19.0	19.0	24.5	24.0	42.4	42.3
Total HMDA Loans¹		9.1	8.9	18.6	17.5	22.7	22.6	34.0	34.4
1 Borrower annual incomes reported as 'NA' for some bank (1 in 2009; 2 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. Zero multifamily loans were reported for this AA. 2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations. 3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Business and Farm Loans

The bank's distribution of loans to small businesses is considered good. However, the penetration is well below the demographic figure of small businesses in the AA for 2009 (45.2 percent vs. 87.4 percent) and 2010 (56.6 percent vs. 87.5 percent). The number of loans where revenue information was not reported was not as high in this AA, though the adjusted number does boost the bank to a slightly more favorable comparison with the demographic figures. Comparison to aggregate data may be a better comparative. The bank's performance compared to aggregate data is significantly higher in 2009 and 2010.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is good. The bank's lending performance is consistent with area demographics and above aggregate data. Less weight is given to farm loans in the evaluation of this AA.

**Table 27
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
WICHITA KS MSA AA**

Business Loans	2009			2010		
	Small ¹	Large	NA	Small ¹	Large	NA
Bank - Number of business loans	95	74	41	103	64	15
Bank - Percentage of loans by size of business	45.2	35.2	19.5	56.6	35.2	8.2
Demographic - Percentage of businesses in the AA ²	87.4	6.9	5.7	87.5	6.9	5.6
Aggregate CRA lending to small businesses in AA ³	19.2			32.3		
Farm Loans						
Bank - Number of farm loans	42	2	1	39	0	2
Bank - Percentage of loans by size of farm	93.3	4.4	2.2	95.1	0.0	4.9
Demographic - Percentage of farms in the AA ²	98.0	1.0	1.0	98.0	1.0	1.0
Aggregate CRA lending to small farms in AA ³	83.5			79.1		
¹ Small businesses or farms, as defined by the CRA, are those with gross annual revenues of \$1 million or less. ² The percentage of businesses or farms in the AA is based on 2010 D&B business data. ³ Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.						

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Wichita MSA AA, where it originated 25 loans for \$52.2 million during the evaluation period. The distribution of community development lending included 20 for economic development, 3 for revitalization or stabilization of LMI geographies, and 2 for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A \$3.5 million loan to a local, private university that is located in a moderate-income tract. The loan was to revitalize the university area that is a part of the City of Wichita Delano Neighborhood Revitalization Plan.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Wichita MSA AA. Investments in the area totaled \$9.8 million and included 18 bonds and housing equity funds providing affordable housing to LMI individuals. A majority of the investments were made in the current evaluation period, as only two investments were from the prior period with a balance remaining on the bank's books.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 75 donations made in the AA during the review period totaling \$237,149. Of the donations reviewed, 34 were qualified for community development purposes totaling \$155,701, which represented 17.5 percent of the bank's statewide total qualified donations by number and 60.3 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Wichita MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services provided.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is excellent. Six of the bank's 12 AA branches, 50.0 percent, are located in LMI tracts, while 34.4 percent of total AA tracts are LMI. Since the last examination, the bank closed one office that was located in a moderate-income tract and one in a middle-income tract. The bank also opened a new branch in a moderate-income tract. Banking offices are readily accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is considered a leader in providing community development services in the Wichita MSA AA, with 36 qualified services provided during the review period. Twenty-nine of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to Dress for Success, Junior Achievement, Salvation Army, and Catholic Charities.

OTHER KANSAS METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW KANSAS MSA AAs

Lawrence, KS MSA AA

The bank's Lawrence MSA AA includes Douglas County, which constitutes the entire MSA. This AA has five branches and 10.0 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 14.2 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 4.0 percent of total statewide CRA loans.

Manhattan, KS MSA AA

The bank's Manhattan MSA AA includes two of three counties in the MSA, excluding Geary County, which includes Junction City. This AA has three branches and 10.8 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 16.0 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 7.3 percent of total statewide CRA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW KANSAS MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for those AAs with full-scope reviews, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Lawrence, KS MSA AA	Consistent	Consistent	Below
Manhattan, KS MSA AA	Consistent	Below	Consistent

NONMETROPOLITAN STATEWIDE KANSAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN NONMETROPOLITAN KANSAS AAs

The bank has delineated four nonmetropolitan AAs throughout the state of Kansas, referred to as the Garden City AA, Hays AA, Hutchinson AA, and the Southeast Kansas/Pittsburg AA. The bank's product offerings in these markets mirror the overall institution, with primary lending products including commercial loans and residential real estate loans.

Combined, these nonmetropolitan AAs included 3.8 percent of total bank deposits as of June 30, 2011. These AAs held 36.3 percent of the bank's statewide deposits (excluding the multistate MSA) and 41.7 percent of statewide HMDA originations and 63.5 percent of CRA LAR originations.

The bank's deposit market share was first or second in three nonmetropolitan Kansas markets and fifth in the Hutchinson AA out of ten financial institutions in Reno County. Each AA has one to five bank branches located in the market.

Although the bank's market share is significant relative to the competition within the respective markets, the overall concentration of bank deposits and lending activity in these markets as a percent of the bank's overall activity is relatively low due to the very high concentration of loans and deposits in the Kansas City and St. Louis multi-state MSAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN KANSAS AAs

The conclusions for all nonmetropolitan Kansas AAs were based on a limited review, and did not alter the overall state rating.

Assessment Area	Lending Test	Investment Test	Service Test
All Rural Kansas AAs Combined	Consistent	Consistent	Consistent

STATE OF ILLINOIS

CRA RATING FOR ILLINOIS: ⁸	<u>"Satisfactory"</u>
<i>The lending test is rated:</i>	<i>"High Satisfactory"</i>
<i>The investment test is rated:</i>	<i>"High Satisfactory"</i>
<i>The service test is rated:</i>	<i>"High Satisfactory"</i>

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided a significant level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank provided a relatively high level of community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected good responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage loans was good and adequate among business and farm loans.

SCOPE OF EXAMINATION

The scope of the review for the state of Illinois was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Illinois equaled only 5.5 percent of total bank deposits, as of June 30, 2011. The AA chosen for a full-scope review was the Bloomington MSA AA, which contained the greatest deposit concentration within the state, equaling 2.9 percent of total bank deposits. The bank's presence ranked fourth of 29 banks in the MSA. The Peoria MSA had more LMI tracts; however, that AA was reviewed at the prior evaluation. The Peoria and Champaign MSA AAs will be assessed using limited review procedures. The Illinois rating will not weigh heavily into the overall bank rating. For this evaluation, two prior community contacts conducted during the previous two years were referenced.

⁸ For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within the multistate MSA. Refer to the multistate MSA rating and discussion for the rating and evaluation of the institution's performance in that area.

DESCRIPTION OF BANK'S OPERATIONS IN ILLINOIS

Outside of the St. Louis multistate MSA AA, the bank's Illinois markets include three MSA AAs located in the central portion of the state. The bank has 15 branches in these three AAs, and 5.5 percent of total bank deposits as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance with respect to the lending test in the state of Illinois is rated "high satisfactory". The bank is a leader in community development lending in the AAs, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is adequate within the statewide AAs. The borrower distribution analysis reflected an adequate performance in the AAs, while the geographic distribution was good. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Illinois review, included 365 HMDA loans, which represented 5.8 percent of total HMDA loans reviewed for this evaluation; and 754 CRA loans, which represented 6.2 percent of total CRA loans. Per the bank's internal analysis, the statewide AAs LTD ratio of 61.5 percent for 2010 is above the two multistate MSA AAs, but below the Missouri ratio.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of mortgage, business, and farm loans reflected good penetration in LMI tracts throughout the Illinois AAs. In all AAs, the bank's performance was typically lagging the demographic data; however, the bank's HMDA performance was similar to or exceeded aggregate HMDA reporters, and its business and farm lending performance was consistent with aggregate CRA reporters.

The bank's HMDA-related loans reflected a good distribution among borrowers of different income levels, and an adequate distribution among businesses and farms of different revenue sizes. This conclusion was based on the bank's performance in all AAs. The HMDA loan distribution generally exceeded demographics and aggregate performance. The bank's business and farm performance was below demographic data and generally consistent with aggregate data.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending in the Bloomington MSA AA. The high level of activity had a positive impact on the overall lending test rating. The bank made 25 loan commitments in the Illinois AAs totaling \$49.8 million. A majority of the lending is in the Bloomington MSA AA, where 19 community development loans totaling \$35.7 million were originated. The limited review MSA AAs included six additional community development loan originations totaling \$14.1 million.

The bank originated nine community development loans for affordable housing, seven for economic development, eight to organizations that provide community services targeted to LMI individuals, and one to revitalize and stabilize an LMI tract that was part of an Enterprise Zone.

INVESTMENT TEST

The state of Illinois investment test rating is “high satisfactory”, as the bank exhibits good responsiveness to community development needs within the state. The bank's investment activity within the state during the two-year evaluation period totaled \$2.1 million and was considered adequate. The bank had no investments in the Bloomington or Peoria MSA AAs, and only one investment totaling \$120,688 in the Champaign MSA AA, a mortgage-backed security comprised of home loans to low-income borrowers. The bank did have six investments totaling \$1.9 million that targeted the entire state of Illinois, which could include potential projects in the bank's AAs. These investments were all state of Illinois Housing Authority bonds that provided affordable housing to LMI individuals. The overall Illinois rating was influenced by the statewide level of investment activity as well as the number and amount of qualified grants and donations in relation to the bank's relatively minor presence in the state.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 236 donations within the state during the review period, totaling \$276,993. Of the donations reviewed, 82 were qualified for community development purposes, totaling \$149,905 and representing 7.4 percent of the bank's total qualified donations by number and 7.0 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test is rated “high satisfactory” for the state of Illinois. The rating is based on the bank's relatively high performance in the Bloomington MSA AA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services.

Two of the bank's 15 banking offices (13.3 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of services offered by the bank and business hours do not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

The bank provided a relatively high level of community development services in the Bloomington (15 services) and Peoria (16 services) MSA AAs. No community development services were provided in the Champaign MSA AA, but the bank only has one banking office in this AA. A majority of the community development services supported community services targeted towards LMI individuals and economic development.

**BLOOMINGTON IL METROPOLITAN STATISTICAL AREA
(Full Review)**

DESCRIPTION OF BANK'S OPERATIONS IN THE BLOOMINGTON MSA AA

The bank's Bloomington MSA AA includes six of 15 branches located in the state, and 53.2 percent of total statewide deposits, as of June 30, 2011. HMDA loans within this AA equaled 43.8 percent of total HMDA loans included within the state's three AAs, and CRA loans in the AA equaled 53.1 percent of total statewide CRA loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's Bloomington MSA AA includes McLean County, which constitutes the entire MSA. The MSA's 2000 population equaled 150,433. As of 2010 Census data, the MSA population increased 12.7 percent, to 169,572. The largest industry sectors in the MSA are professional and business services (19.6 percent), government (17.1 percent), financial services (13.4 percent), educational and health services (12.5 percent), and leisure and hospitality (10.6 percent). (Source: Moody's Economy.com/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are State Farm Mutual Insurance Company (15,509 employees), Illinois State University (3,205), County Insurance (2,178), BroMenn Healthcare (1,595), Mitsubishi Motor Manufacturing (1,418), and OSF St. Joseph Medical Center (1,122). (Source: FDIC RECON/Economic Development Council of the Bloomington-Normal Area, 2009)

Bloomington's economy is at risk of sliding back into recession. The sluggish U.S. economy is hurting the MSA's insurance industry, the state's fiscal woes are problematic for Illinois State University, and new home construction and home sales are weak. The presence of Mitsubishi Motors is a bright spot for the economy. Sales of products assembled in the MSA have soared in 2011, and Mitsubishi has been the fastest growing automaker in the U.S. (Source: FDIC RECON/Moody's Economy.com, June 2011)

The MSA unemployment rate for 2010 was 7.7 percent, compared to 10.3 percent statewide and 9.6 percent for the U.S. The unemployment rate improved to 6.4 percent in June 2011.

Due to Illinois State University and Illinois Wesleyan University, the MSA has a much higher population of residents aged 18 to 24 than the overall state of Illinois (18.6 percent vs. 9.8 percent). The AA concentration of residents living in college dormitories equaled 6.5 percent, compared to the overall statewide figure of 0.7 percent.

The percentage of families that are low-, moderate-, middle-, and upper-income in the AA generally mirror the overall state figures for Illinois, with the exception of approximately two

percentage points fewer of low- and upper-income families, and four percentage points more of middle-income families. The percentage of AA families below the poverty level is lower than the state figure (4.1 percent vs. 7.8 percent, as of 2000 data). The housing affordability ratio for the MSA equaled 43.1 percent as of the 2000 Census, more affordable than the statewide figure of 36.5 percent. The AA's percentage of total housing units concentrated in rental housing, owner-occupied units, and vacant units all mirror the overall state figures.

Table 28 shows income, housing, and general demographic characteristics of the AA.

Table 28 ASSESSMENT AREA DEMOGRAPHICS BLOOMINGTON IL MSA AA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	2.4	10	0.0	5	50.0	6,222	17.4
Moderate-income	9	22.0	7,790	21.8	855	11.0	6,738	18.9
Middle-income	23	56.1	19,895	55.8	528	2.7	9,490	26.6
Upper-income	8	19.5	7,981	22.4	79	1.0	13,226	37.1
Total AA	41	100.0	35,676	100.0	1,467	4.1	35,676	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	271	0	0.0	0.0	270	99.6	1	0.4
Moderate-income	15,860	8,009	21.2	50.5	6,683	42.1	1,168	7.4
Middle-income	33,104	20,839	55.3	63.0	10,776	32.6	1,489	4.5
Upper-income	10,737	8,859	23.5	82.5	1,310	12.2	568	5.3
Total AA	59,972	37,707	100.0	62.9	19,039	31.7	3,226	5.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	43	0.8	35	0.7	4	1.1	4	1.2
Moderate-income	1,296	22.7	1,126	22.4	84	23.9	86	26.5
Middle-income	3,331	58.4	2,932	58.3	210	59.8	189	58.3
Upper-income	1,032	18.1	934	18.6	53	15.1	45	13.9
Total AA	5,702	100.0	5,027	100.0	351	100.0	324	100.0
	Percentage of Total Businesses:			88.2		6.2		5.7
Based on 2000 Census data and 2010 D&B data.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BLOOMINGTON MSA

LENDING TEST

The bank's performance with respect to the lending test in the Bloomington MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending within the AA is adequate. The borrower distribution analysis reflected an adequate performance in the MSA, while the geographic distribution was good. A more in-depth discussion of performance in the AA follows.

Lending Activity:

HMDA loans originated in this market represented 43.8 percent of total HMDA loans within the state, and CRA loans represented 53.1 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.2 percent, while the deposits in the AA equaled approximately 2.5 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 54.9 percent, and the lending activity test is considered adequate.

Geographic Distribution:

As shown in Table 29, the overall geographic distribution of the bank's residential mortgage loans and business and farm loans reflected good loan penetration among geographies of different income levels.

The Bloomington AA only has one low-income tract and the percentage of rental units is an astounding 99.6 percent within this tract. This tract includes Illinois State University and contains no owner-occupied units. These factors will increase the demand for lending on nonowner-occupied units in the LMI tracts. However, the bank's level of lending on nonowner-occupied units was not high in this AA.

Home Purchase Loans

The geographic distribution of home purchase loans reflected good penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank did not originate any home purchase loans in low-income tracts, but this was considered adequate compared to the demographics. The bank's performance in moderate-income geographies for 2009 and 2010 (30.8 percent and 33.3 percent, respectively) was well above area demographics (21.2 percent) and aggregate figures (21.5 percent and 20.0 percent, respectively). While the bank's performance in moderate-income tracts is good, the data includes only four of 13 originations for 2009, and only three of nine originations for 2010.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. Due to AA demographics, the bank had no loan originations in the low-income tract. The bank's performance for 2009 and 2010 in moderate-income geographies (7.4 percent and 9.3 percent, respectively) was below area demographics (21.2 percent) and below aggregate data (15.6 percent and 15.3 percent, respectively). The refinance loan volume included 54 originations in both 2009 and 2010, and equaled the highest volume of HMDA-related loans originated by the bank in the AA.

Table 29
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT¹
BLOOMINGTON IL MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
HMDA Loans:									
Home Purchase	13/9	0.0	0.0	30.8	33.3	53.8	44.4	15.4	22.2
Home Refinance	54/54	0.0	0.0	7.4	9.3	55.6	50.0	37.0	40.7
Home Improvement	9/11	0.0	0.0	33.3	18.2	55.6	63.6	11.1	18.2
Total HMDA Loans²	79/81	0.0	0.0	17.7	14.8	53.2	53.1	29.1	32.1
Percentage of owner-occupied housing units in AA by income level of tract ³		0.0		21.2		55.3		23.5	
Aggregate Peer Data⁴									
Home Purchase		0.0	0.0	21.5	20.0	47.7	47.2	30.8	32.8
Home Refinance		0.0	0.0	15.6	15.3	43.5	41.3	40.9	43.4
Home Improvement		0.0	0.0	15.8	17.3	48.6	49.5	35.7	33.2
Total HMDA Loans		0.0	0.1	17.3	16.8	44.8	43.2	37.8	39.9
Business Loans:									
Business Loans	116/90	0.9	2.2	19.0	18.9	44.8	51.1	35.3	27.8
Percentage of businesses in AA by income level of tract ⁵		0.7	0.8	22.9	22.7	58.5	58.4	17.9	18.1
Aggregate CRA lending in AA ⁴		0.7	0.3	19.3	18.0	55.7	53.6	23.0	25.1
Farm Loans:									
Farm Loans	104/90	0.0	0.0	1.9	3.3	67.3	65.6	30.8	31.1
Percentage of farms in AA by income level of tract ⁵		0.0	0.0	3.0	3.2	75.9	75.7	21.1	21.2
Aggregate CRA lending in AA ⁴		0.0	0.0	3.7	2.9	80.3	79.5	16.0	16.9

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.

2 Total HMDA loans include multifamily loans (3 in 2009; 7 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase and improvement loans remained in the analysis.

3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.

4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.

5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good penetration. Again, due to area demographics, the bank had no

loan originations in the low-income tract. The bank's performance for 2009 and 2010 in moderate-income tracts (33.3 percent and 18.2 percent, respectively) was above or consistent with area demographics (21.2 percent) and exceeded aggregate data (15.8 percent and 17.3 percent, respectively). Again, there was low volume, with the bank's performance in the moderate-income tracts including only three of nine originations in 2009 and two of 11 originations in 2010.

Business and Farm Loans

The geographic distribution of business and farm loans was good in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and the aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 30 and Table 31, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and adequate distribution among businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibited good performance. The bank's distribution to low-income borrowers for 2009 (23.1 percent) exceeded area demographics (17.4 percent) and aggregate data (15.5 percent). The bank did not originate any home purchase loans to low-income borrowers for 2010. The bank's distribution to moderate-income borrowers for 2009 (7.7 percent) was well below the demographics (18.9 percent) and aggregate data (27.2 percent). The 2010 performance (44.4 percent) was strong, exceeding area demographics and aggregate data (22.4 percent). The bank's performance was skewed by the low volume of originations (13 for 2009; 9 for 2010), as one loan origination to an LMI borrower significantly changes the bank's performance percentages.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibited adequate performance. The bank's distribution to low-income borrowers for 2009 (5.6 percent) and 2010 (11.1 percent) was below area demographics (17.4 percent) and consistent with aggregate data for 2009 (5.7 percent) but above aggregate data for 2010 (6.0 percent). The bank's distribution to moderate-income borrowers for 2009 and 2010 (14.8 percent and 18.5 percent, respectively) was below area demographics (18.9 percent) but above aggregate data for 2009 (15.6 percent) and 2010 (14.0 percent).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (22.2 percent) and 2010 (27.3 percent)

exceeded area demographics (17.4 percent) and aggregate data (13.5 percent and 14.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (22.2 percent and 18.2 percent, respectively) was consistent with area demographics (18.9 percent) and exceeded aggregate (19.3 percent and 14.5 percent, respectively). The bank's home improvement performance in this AA also reflected its significant efforts to market the program in areas that include LMI borrowers. However, the bank had very low volume, with nine originations for 2009 and 11 for 2010.

Table 30									
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER									
BLOOMINGTON IL MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	13/9	23.1	0.0	7.7	44.4	15.4	33.3	46.2	22.2
Home Refinance	54/54	5.6	11.1	14.8	18.5	25.9	18.5	53.7	51.9
Home Improvement	9/11	22.2	27.3	22.2	18.2	0.0	18.2	55.6	36.4
Total HMDA Loans ¹	79/81	10.1	11.1	13.9	19.8	20.3	18.5	50.6	42.0
Percentage of families in AA by income level ²		17.4		18.9		26.6		37.1	
Aggregate Peer Data ³									
Home Purchase		15.5	14.3	27.2	22.4	24.1	21.5	23.4	27.2
Home Refinance		5.7	6.0	15.6	14.0	23.9	22.5	42.1	43.4
Home Improvement		13.5	14.9	19.3	14.5	22.2	22.1	40.2	39.4
Total HMDA Loans ¹		8.6	8.4	18.9	16.1	23.8	22.0	36.6	38.5
1 Borrower annual incomes reported as 'NA' for some bank (4 in 2009; 7 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (3 in 2009; 7 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase and improvement loans remained in the analysis.									
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.									
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Business and Farm Loans

The bank's distribution of loans to small businesses is considered adequate. The penetration was well below the demographic figure of small businesses in the AA for 2009 (40.5 percent vs. 88.2 percent) and 2010 (28.9 percent vs. 88.2 percent). The bank has a fairly high percentage of loans where revenue information was not reported. If both the bank and the demographic figures are adjusted, the comparison improves somewhat (50.0 percent vs. 93.6 percent for 2009; 42.6 percent vs. 93.5 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance is above the aggregate data in 2009, but below aggregate in 2010.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The bank's distribution of loans to small farms is also adequate. The bank had a very high number of farm loans in this AA with unreported revenues, especially in 2009 when nearly 90 percent of farm borrowers had reported revenues of 'NA'. Therefore, adjusting the figures for the bank changes the analysis dramatically. In 2009, loans to small farms improved from 9.6 percent of total farm loans to 90.0 percent of total farm loans with reported revenues. Unadjusted numbers are well below demographic and aggregate figures. After adjusting to exclude unreported revenues, the bank's figures exceed aggregate figures and are slightly lower than demographic figures. Significant levels of unreported revenues skew small business and small farm lending dramatically.

Business and farm loans are weighted fairly evenly in the evaluation of this AA.

Table 31 DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM BLOOMINGTON IL MSA AA						
Business Loans	2009			2010		
	Small¹	Large	NA	Small¹	Large	NA
Bank - Number of business loans	47	47	22	26	35	29
Bank - Percentage of loans by size of business	40.5	40.5	19.0	28.9	38.9	32.2
Demographic - Percentage of businesses in the AA ²	88.2	6.1	5.8	88.2	6.2	5.7
Aggregate CRA lending to small businesses in AA ³	28.6			46.7		
Farm Loans						
Bank - Number of farm loans	10	1	93	62	7	21
Bank - Percentage of loans by size of farm	9.6	1.0	89.4	68.9	7.8	23.3
Demographic - Percentage of farms in the AA ²	99.2	0.2	0.7	99.0	0.2	0.8
Aggregate CRA lending to small farms in AA ³	73.4			86.0		
¹ Small businesses or farms, as defined by the CRA, are those with gross annual revenues of \$1 million or less. ² The percentage of businesses or farms in the AA is based on 2010 D&B business data. ³ Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.						

Community Development Lending:

Commerce Bank is considered a leader in providing community development loans in the Bloomington MSA AA, where it originated 19 loans for \$35.7 million during the evaluation period. The distribution of community development loans included nine for affordable housing, four for economic development, and six for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A \$1 million loan to a local nonprofit organization that provides community services to LMI people. The agency focuses on improving the lives of children and families by

providing safe and healthy environments including residential care, special education, and family and community services.

- Four loans totaling \$29.8 million for economic development made to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had a poor level of qualified community development investments and donations in the Bloomington MSA AA. The bank did not have any investments during the evaluation period that specifically targeted the AA. However, the bank did purchase six state of Illinois Housing Authority bonds totaling \$1.9 million that targeted affordable housing in the entire state, which could include the Bloomington MSA AA.

The bank did show adequate responsiveness to area community development needs through its donation activities. The bank submitted 126 donations made in the AA during the review period totaling \$139,210. Of the donations reviewed, 45 were qualified for community development purposes totaling \$74,430, which represented 54.9 percent of the bank's statewide total qualified donations by number and 49.7 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Bloomington MSA AA was good based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is adequate. One of the bank's six AA branches, 16.7 percent, is located in an LMI tract, while 24.4 percent of total AA tracts are LMI. Since the last examination, the bank closed one office and opened one office, both in middle-income tracts. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Bloomington MSA AA, with 15 qualified services provided during the review period. Twelve of the qualified services were with organizations offering community services targeted to LMI individuals and three were for economic development. Examples include services provided to Path, Inc., Salvation Army, and the Economic Development Council of Bloomington.

OTHER ILLINOIS METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW ILLINOIS MSA AAs

Champaign, IL MSA AA

The bank's Champaign MSA AA includes only one of three counties in the MSA. This AA has only one branch and 2.4 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 4.4 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 2.4 percent of total statewide CRA loans.

Peoria, IL MSA AA

The bank's Peoria MSA AA operations are similar to its Bloomington MSA AA. However, since Peoria was given a full-scope review at the prior examination, only a limited review was conducted at this examination. The Peoria MSA AA includes three of five counties in the MSA. This AA has eight branches and 44.4 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 51.8 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 44.6 percent of total statewide CRA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW ILLINOIS MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for the full-scope AA review, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Champaign, IL MSA AA	Below	Consistent	Below
Peoria, IL MSA AA	Consistent	Below	Consistent

STATE OF COLORADO/
DENVER-AURORA-BROOMFIELD METROPOLITAN STATISTICAL AREA
(Full Review)

CRA RATING FOR COLORADO: ***"Outstanding"***
The lending test is rated: ***"Outstanding"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"High Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the AA.
- The bank provided an excellent level of community development investments and grants in the AA that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and to businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was excellent.

SCOPE OF EXAMINATION

For the state of Colorado, a full review of the bank's sole AA was conducted. Since there is only one AA, the statewide performance will be discussed concurrently with the Denver MSA AA. The scope of the review for the state of Colorado was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Colorado equaled only 0.7 percent of total bank deposits, as of June 30, 2011. The bank's presence in the entire MSA ranked 37th out of 72 banks. The Colorado rating will not weigh heavily into the overall bank CRA rating.

During the evaluation, two prior community contacts conducted during the previous two years within the Denver MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN THE DENVER MSA AA

The bank's Colorado market includes three of the ten counties in the Denver MSA; consisting of Adams, Arapahoe, and Denver Counties. The bank has only one branch in this market, which had only 0.7 percent of total bank deposits as of June 30, 2011. HMDA and CRA loans in the AA each equaled 1.3 percent of total bank HMDA and CRA lines reviewed for this

evaluation. The Denver branch, acquired in 2007, has traditionally been a more commercial-oriented lender. This is reflected in the nature of the bank's HMDA lines, which are concentrated in business purpose, nonowner-occupied lines, such as for rental and rehabilitation projects. Of the bank's 111 HMDA originations in this AA during the review period, only 25 (or 22.5 percent) were for owner-occupied units.

DESCRIPTION OF ASSESSMENT AREA

The population of the Denver MSA equaled 2,179,240 as of the 2000 Census, constituting half the state's population. The bank's AA population equaled 1,391,016, or 63.8 percent of the entire MSA population. The AA population increased to 1,613,764 as of 2010 estimates, an increase of 16.0 percent, which was on par with the statewide increase of 16.9 percent. (Source: 2000 Census Data; 2010 U.S. Census Bureau QuickFacts)

Government and service industries are the MSA's largest employment sectors. As of May 2010, the largest private employers included HealthONE (9,640 employees), King Soopers (8,600), Wal-Mart (7,900), CenturyLink (7,380), Exempla Healthcare (7,320), Lockheed Martin (7,220), Safeway, Inc. (6,700), Centura Health (6,370), Kaiser Permanente (5,870), Denver Health and Hospital Authority (5,311), Dish Network (4,690), and United Airlines (4,500). CenturyLink recently acquired Qwest, resulting in a shrinking footprint of one of Denver's largest employers. (Source: FDIC RECON - Metro Denver EDC, April 2011)

One community contact stated that the Denver MSA has historically had a strong reliance on small businesses, indicating that very few Fortune 500 companies are located in the MSA. One contact stated that banks are very reluctant to lend to very small businesses in the current economic environment, indicating that micro-lenders and those providing gap financing are primary sources of funding for very small businesses. One contact indicated that access to capital for start-up businesses is limited, as banks' lending standards have tightened. The contact noted that this is particularly true with the larger banks; while community banks may be more likely to tailor a loan to a borrower's needs. The contact also indicated a need for funding women- and minority-owned businesses.

Denver's recovery from the recession has been anemic. The first quarter of 2010 showed signs of recovery, though discouraged workers who have not yet re-entered the workforce continue to keep the unemployment rate artificially low. The retail industry primarily led the decline in the economy, driven by the poor labor market and the increased personal savings rate. The number of unemployed persons declined in the latter part of 2009, but so did the labor force; likely an indication of people leaving the work force due to discouragement. Service industries, particularly professional/business services, have been expected to be the foundation for growth in the MSA.

Table 32 UNEMPLOYMENT RATES			
Area	2009	2010	11Q2
Denver MSA	8.5	9.0	8.5
Colorado	8.3	8.9	8.5
U.S.	9.3	9.6	8.9

The Denver MSA benefits from a skilled workforce, expansive research base, and advanced technology industries. These attributes all continue to attract a healthy flow of new residents and capital investment. Tighter lending standards is keeping credit tight, but loan quality exceeds the national average. Delinquency rates for mortgages and shorter-term auto loans began trending downward in 2010. (Source: FDIC RECON - Moody's Economy.com, December 2009, August 2010, August 2011)

The AA 2000 vacancy rate of 3.9 percent was low compared to the 8.3 percent statewide vacancy rate. The higher statewide vacancy rate is due to the higher number of seasonal/second homes in the state's mountainous areas. The AA contained a higher concentration of multifamily units, equaling 30.2 percent of total housing units compared to 19.9 percent for the state and 25.0 percent for the entire MSA. Conversely, there is a slightly lower concentration of 1- to 4-family units. The AA has a small concentration of mobile homes. Of total area housing stock, mobile homes constituted 2.7 percent, vs. us the statewide figure of 5.7 percent.

The AA's median age of housing stock (29 years) is slightly older than the state (24 years) and MSA (26 years). As is typical, AA housing stock is much older in the low- (45 years) and moderate-income tracts (35 years). The overall housing affordability rate in the state of Colorado is very low compared to other 10th District states. The AA, overall Denver MSA, and statewide affordability rates are all comparable (29.3 percent, 30.0 percent, and 29.5 percent, respectively). The least affordable county in the AA is Denver County, at 24.7 percent. It may be difficult for LMI families to afford home ownership in the MSA AA, especially in Denver County.

Weak housing prices continue in the Denver MSA, and households continue to have an aversion to new debt. This is weighing on home sales and new construction. However, it has been favorable for landlords, as rents are up and vacancies are at a decade low. Given these conditions, coupled with low interest rates, it is an attractive investment environment. Therefore, demand for nonowner-occupied units is strong, and there may be increased construction activity of multifamily apartment buildings. (Source: FDIC RECON - Moody's Economy.com, August 2011)

Table 33 shows income, housing, and general demographic characteristics of the AA.

**Table 33
ASSESSMENT AREA DEMOGRAPHICS
DENVER CO MSA AA**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	6.2	19,794	5.9	5,426	27.4	75,465	22.5
Moderate-income	122	35.9	116,480	34.7	12,610	10.8	70,130	20.9
Middle-income	134	39.4	138,835	41.4	5,031	3.6	79,275	23.6
Upper-income	60	17.6	60,126	17.9	891	1.5	110,365	32.9
Unknown-income	3	0.9	0	0.0	0	0.0	0	0.0
Total AA	340	100.0	335,235	100.0	23,958	7.1	335,235	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	38,793	10,760	3.2	27.7	25,943	66.9	2,090	5.4
Moderate-income	208,601	105,566	30.9	50.6	94,999	45.5	8,036	3.9
Middle-income	242,158	154,705	45.3	63.9	77,807	32.1	9,646	4.0
Upper-income	85,925	70,299	20.6	81.8	12,996	15.1	2,630	3.1
Total AA	575,477	341,330	100.0	59.3	211,745	36.8	22,402	3.9
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	4,664	5.7	4,028	5.5	379	6.8	257	6.4
Moderate-income	24,847	30.2	21,166	29.1	2,256	40.5	1,425	35.6
Middle-income	31,845	38.7	28,873	39.7	1,642	29.5	1,330	33.2
Upper-income	19,954	24.2	17,955	24.7	1,119	20.1	880	22.0
Unknown-income	1,077	1.3	787	1.1	176	3.2	114	2.8
Total AA	82,387	100.0	72,809	100.0	5,572	100.0	4,006	100.0
	Percentage of Total Businesses:			88.4		6.8		4.9

Based on 2000 Census data and 2010 D&B business demographic data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DENVER MSA

LENDING TEST

The bank's performance with respect to the lending test in the Denver MSA AA and the state of Colorado is rated "outstanding". The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to AA credit needs is considered adequate. The bank's level of lending is high within the AA. The borrower distribution analysis reflected an adequate performance in the AA, while the geographic distribution was excellent. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 82 HMDA loans and 159 CRA loans within the AA. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 1.0 percent, while the deposits in the AA equaled approximately 0.7 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 98.7 percent. Therefore, the bank's lending activity test represents strong lending levels.

Geographic Distribution:

As shown in Table 34, the overall geographic distribution of the bank's residential mortgage loans and business loans reflected excellent loan penetrations among geographies of different income levels. The bank did not originate any home improvement loans in the Denver MSA AA during the evaluation period.

Home Purchase Loans

The geographic distribution of home purchase loans reflected excellent penetration throughout the AA, particularly in moderate-income geographies. For 2009, the bank's performance in low-income tracts (8.3 percent) exceeded demographics (3.2 percent) and aggregate data (4.5 percent). However, the bank did not originate any loans for 2010 in low-income tracts.

The bank's performance in moderate-income geographies for 2009 and 2010 (33.3 percent and 68.4 percent, respectively) was well above area demographics (30.9 percent) and aggregate figures (26.1 percent and 24.4 percent, respectively). The bank's overall home purchase lending volume was low, with 12 originations for 2009 and 19 originations for 2010.

Since the LMI tracts contain high levels of rental units and the bank has a very high concentration of business purpose HMDA lines in this AA, a better demographic comparison would be total 1- to 4-family housing units, as the comparison to owner-occupied housing units inflates the bank's performance somewhat. Using this comparison, the bank remains above the demographic in the low-income tracts (demographic increased from 3.2 percent to 6.7 percent). The bank fell slightly behind the demographic in the moderate-income tracts for 2009 (demographic increased from 30.9 percent to 36.2 percent), but the 2010 performance remains very strong compared to either owner-occupied housing units or total 1- to 4-family housing units.

Using both demographic comparisons, the bank's performance is favorable in LMI tracts. However, the bank's HMDA lending is low, so business lines will receive the greater weight in this AA.

Refinance Loans

The geographic distribution of refinance loans reflected excellent penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank's performance

in low-income tracts (4.5 percent and 10.0 percent, respectively) was consistent with demographics (3.2 percent; or 6.7 percent adjusted for all 1-4 family units) and aggregate data (3.0 percent and 2.8 percent, respectively). The bank's performance in moderate-income geographies for 2009 and 2010 (50.0 percent and 45.0 percent, respectively) was well above area demographics (30.9 percent; 36.2 percent, adjusted) and aggregate figures (17.0 percent and 15.8 percent, respectively). The bank's overall home refinance lending volume was low, with 22 originations for 2009 and 20 originations for 2010.

Business Loans

The geographic distribution of business loans also reflected excellent penetration in LMI geographies. The bank's performance for 2009 and 2010 was above area demographics and generally exceeded aggregate data, except for in low-income tracts in 2010, but this figure was still generally consistent with the comparative figures.

Table 34									
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT ¹									
DENVER CO MSA AA									
Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations ²							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
HMDA Loans:									
Home Purchase	12/19	8.3	0.0	33.3	68.4	16.7	31.6	41.7	0.0
Home Refinance	22/20	4.5	10.0	50.0	45.0	36.4	35.0	9.1	10.0
Total HMDA Loans ³	35/47	5.7	4.3	45.7	55.3	28.6	36.2	20.0	4.3
Percentage of owner-occupied housing units in AA by income level of tract ⁴		3.2		30.9		45.3		20.6	
Aggregate Peer Data ⁵									
Home Purchase		4.5	3.9	26.1	24.4	48.2	48.9	19.5	20.9
Home Refinance		3.0	2.8	17.0	15.8	46.6	46.0	31.3	33.3
Total HMDA Loans		3.6	3.2	20.7	19.1	47.2	47.0	26.6	28.7
Business Loans:									
Business Loans	83/76	7.2	3.9	39.8	51.3	21.7	11.8	27.7	26.3
Percentage of businesses in AA by income level of tract ⁶		5.8	5.7	30.3	30.2	38.5	38.7	24.1	24.2
Aggregate CRA lending in AA ⁵		5.2	4.9	27.9	27.3	36.8	36.6	27.0	27.8

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.

2 The tract category is unknown for a small number of business loans (3 in 2009; 5 in 2010), so not all tract categories add up to 100 percent.

3 Total HMDA loans include home improvement loans (0 in 2009; 4 in 2010) and multifamily loans (1 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase and refinance loans remained in the analysis.

4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.

5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.

6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Tables 35 and 36, the bank's borrower distribution reflected adequate distribution among individuals of different income levels and businesses of different revenue sizes.

The bank originated very few HMDA loans in the Denver MSA AA that were for owner-occupied housing units (22.5 percent). The majority were business purpose, nonowner-occupied lines, such as rental and rehabilitation projects. HMDA lines for multifamily units and those made to business entities do not require income to be reported; therefore, 'NA' was reported on nearly 77 percent of the Denver MSA AA HMDA lines, compared to the overall bank rate of approximately 11 percent. The borrower distribution analysis includes a

comparison of the bank's performance when removing those loans without reported incomes, in order to focus specifically on the bank's distribution of owner-occupied lines. This analysis causes the HMDA volumes to drop to very low levels; however, it does present an alternative view of lending to LMI borrowers when considering only owner-occupied units.

Home Purchase Loans

The bank did not originate any home purchase loans in 2009 or 2010 to low-income borrowers. The bank's distribution to moderate-income borrowers for 2009 (8.3 percent) and 2010 (10.5 percent) was below area demographics (20.9 percent) and aggregate data (32.7 percent and 29.2 percent, respectively). The bank's performance was skewed by the overall low volume of home purchase loans (12 for 2009; 19 for 2010), coupled with the significant number of loans that did not report incomes. Focusing only on loans with reported incomes (providing an alternative focus on owner-occupied lines), the bank's distribution to moderate-income borrowers improves to 25.0 percent for 2009 and 40.0 percent for 2010; which compare favorably to the percentage of moderate-income families in the AA. However, due to the very low volume of lines with reported incomes, this reflects only one of four originations in 2009 and two of five originations in 2010.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits adequate performance. The bank's distribution to low-income borrowers for 2009 (4.5 percent) and 2010 (5.0 percent) was below area demographics (22.5 percent) and somewhat consistent with aggregate data (7.2 percent and 6.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 (4.5 percent) was also below area demographics (20.9 percent) and aggregate data (19.8 percent). The bank did not originate any loans in 2010 to moderate-income borrowers. Again, the bank's performance was skewed by overall low volumes and a high number of loans with no reported incomes. In the review of loans with reported incomes, the bank's distribution to LMI borrowers (50.0 percent) exceeded demographics and aggregate figures, but only reflected two of four originations in 2009 and one of two originations in 2010.

Table 35									
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER									
DENVER CO MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	12/19	0.0	0.0	8.3	10.5	0.0	5.3	25.0	10.5
Home Refinance	22/20	4.5	5.0	4.5	0.0	4.5	0.0	4.5	5.0
Total HMDA Loans ¹	35/47	2.9	6.4	5.7	6.4	2.9	2.1	11.4	8.5
Percentage of families in AA by income level ²		22.5		20.9		23.6		32.9	
Aggregate Peer Data ³									
Home Purchase		17.5	17.7	32.7	29.2	23.9	24.2	25.9	28.8
Home Refinance		7.2	6.9	19.8	18.3	27.0	26.1	46.0	48.7
Total HMDA Loans ¹		11.7	11.3	25.4	22.8	25.6	25.3	37.3	40.5
1 Borrower annual incomes reported as 'NA' for some bank (27 in 2009; 36 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes home improvement loans (0 in 2009; 4 in 2010) and multifamily loans (1 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase and refinance loans remained in the analysis.									
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.									
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Business Loans

The bank appears to have a very poor level of lending to small businesses in the AA. The bank's penetration is well below the demographic figure for 2009 (9.6 percent vs. 88.2 percent) and 2010 (10.5 percent vs. 88.4 percent). However, the bank has a very large percentage of loans in this market where revenue information was not reported (80.7 percent in 2009; 80.3 percent in 2010). If both the bank and the demographic figures are adjusted, the comparison improves dramatically (50.0 percent vs. 92.8 percent for 2009; 53.3 percent vs. 92.9 percent for 2010), as the demographic figures did not have as many unreported revenues. This level appears to be adequate.

D&B demographic figures are gathered using a self-reported survey method, and there will be companies in any AA that do not participate in the survey. Therefore, comparison to aggregate data may be a better comparative. The bank's adjusted numbers are favorable compared to aggregate data; however, aggregate data was not able to be adjusted for loans with unreported revenue information, so this is not a like comparison. The comparison of the bank's unadjusted figures to aggregate figures reflected a very poor penetration of bank business loans to small businesses. However, the significant level of unreported revenues is skewing this small business assessment dramatically, and is not providing a meaningful analysis.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

**Table 36
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
DENVER CO MSA AA**

Business Loans	2009			2010		
	Small¹	Large	NA	Small¹	Large	NA
Bank - Number of business loans	8	8	67	8	7	61
Bank - Percentage of loans by size of business	9.6	9.6	80.7	10.5	9.2	80.3
Demographic - Percentage of businesses in the AA ²	88.2	6.9	4.9	88.4	6.8	4.9
Aggregate CRA lending to small businesses in AA ³	33.9			40.6		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of \$1 million or less.

2 The percentage of businesses in the AA is based on 2010 D&B business data.

3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Denver MSA AA, where it originated 19 loans for \$30.7 million during the evaluation period. The distribution of community development lending included ten for economic development, four for affordable housing, two for revitalization or stabilization of LMI geographies, and three for community services targeted towards LMI families or individuals. The performance was considered excellent given the bank's minimal presence in the Denver AA, based on deposit share and number of branches. Examples of community development lending included:

- A \$678,000 loan to a local nonprofit hospital that primarily targets LMI individuals in need of medical services who do not have insurance or the ability to pay. Hospital data indicated that 65 percent of patients served are LMI.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Denver MSA AA. Investments in the area totaled \$21.1 million. The investments included three bonds and housing equity funds that provided affordable housing to LMI individuals, two SBIC bonds, and three bonds that revitalized or stabilized LMI areas that were part of an Enterprise Zone. A majority of the investments were made in the current evaluation period, as only three investments totaling \$1.8 million were from the prior period with a balance remaining on the bank's books.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 15 donations made in the AA during the review period totaling \$18,550. Of the donations reviewed, four were qualified for community development purposes totaling \$3,100. This level was considered good in relation to the bank's small presence in the AA.

SERVICE TEST

The bank's performance under the service test in the Denver MSA AA is rated "high satisfactory" based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is good. The bank's only AA branch is located in a moderate-income tract, while 42.1 percent of total AA tracts are LMI. Since the last examination, the bank did not open or close a branch office in the AA. The bank did receive approval in late 2011 to open a new branch in Greenwood Village, Colorado, that is in an upper-income tract within the current AA. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a high level of community development services in the Denver MSA AA, considering its small presence. The bank provided three qualified services during the review period. The qualified services were with one organization that offers community services targeted to LMI individuals (Community College of Aurora) and with two economic development organizations (Colorado Lending Source and the Aurora Economic Development Council).

STATE OF OKLAHOMA/
TULSA OK METROPOLITAN STATISTICAL AREA
(Full Review)

CRA RATING FOR OKLAHOMA: **"Satisfactory"**
The lending test is rated: **"Low Satisfactory"**
The investment test is rated: **"Outstanding"**
The service test is rated: **"Low Satisfactory"**

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the AA.
- The bank provided an excellent level of community development investments and grants in the AA, which were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank provided an adequate level of community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels was very poor but the distribution to businesses of different revenue sizes was adequate.
- The geographic distribution was very poor for HMDA loans but adequate for business loans.

SCOPE OF EXAMINATION

For the state of Oklahoma, a full review of the bank's sole AA was conducted. Since there is only one AA, the statewide performance will be discussed concurrently with the Tulsa MSA AA. The scope of the review for the state of Oklahoma was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Oklahoma equaled only 0.7 percent of total bank deposits, as of June 30, 2011. The bank's presence in the Tulsa MSA ranked 37th out of 72 banks in the MSA. The Oklahoma rating will not weigh heavily into the overall bank CRA rating. During the evaluation, three prior community contacts conducted during the previous two years within the Tulsa MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN THE TULSA MSA AA

The bank's Oklahoma market includes the Tulsa MSA AA, consisting of only Tulsa County. This market has two branches and only 0.8 percent of total bank deposits as of June 30, 2011. HMDA and CRA loans in the AA were minimal, with 1.2 percent of total HMDA lines and

2.1 percent of total CRA lines reviewed for this evaluation. The Tulsa branches, acquired in 2007, have traditionally been more commercial-oriented lenders than Commerce Bank overall, though not as pronounced as in the Denver market. This is reflected in the nature of the bank's HMDA lines, which have a slightly higher concentration in business purpose, nonowner-occupied lines. This results in a higher number of lines with reported income as 'NA', totaling 25.0 percent of total AA HMDA lines, exceeding the 10.8 percent overall bank figure.

DESCRIPTION OF ASSESSMENT AREA

As of 2000 Census data, the population of Tulsa County equaled 563,299, which was 65.5 percent of the entire MSA population of 859,532. Tulsa County's population increased to an estimated 603,403 in 2010, an increase of 7.1 percent. In regards to age of population, makeup of families and households, and institutionalized persons, there were no AA anomalies compared to total MSA or statewide figures that would provide a significant contextual basis for lending patterns outside the expected normal.

As of 2010, service industries represented the MSA's largest sectors, with education and health services (14.7 percent) leading the way, followed by professional and business services (13.6 percent). The next largest industry sectors were government (13.7 percent), retail trade (11.1 percent), and manufacturing (10.7 percent). (Source: Moody's Economy.com, BLS 2010)

Some of the MSA's largest employers include American Airlines, AT&T, Bank of Oklahoma, Blue Cross and Blue Shield Association, Cherokee Casino Resort, DirecTV, Hillcrest Healthcare System, Nordham Group, and St. Francis Health System. American Airlines employs 6,850 workers, and the remaining companies each employ more than 1,000 workers. Government jobs in 2010 totaled 5,118 for federal, 8,411 for state, and 41,849 for local governments. (Tulsa Metro Chamber of Commerce, 2011)

Tulsa continues to maintain strong ties to the oil industry, though the MSA economy is diverse, with additional emphasis in the telecom and rental car industries. Oklahoma did not experience as severe a downturn as the rest of the country; however, Tulsa was hit a little harder than the rest of the state, due primarily to a higher reliance on manufacturing. Tulsa's recovery is gaining momentum in 2011 due to the return of high-wage manufacturing jobs; however, government layoffs continue to be a drag and there have been sharp labor force declines. Manufacturing is heavily skewed toward machinery and fabricated metals, and the statewide energy boom ensures demand for these products. Tulsa also has a foothold in aerospace transportation, with the MSA being home to more than 70 aerospace companies, including SpiritAerosystems and American Airlines' central maintenance and repair center, Tulsa's largest private sector employer. (Source: Moody's Economy.com, July 2010; July 2011)

The unemployment rate for the Tulsa MSA has been above the state figures, but below the national average. One community contact in the third quarter of 2010 stated that the MSA had recently experienced increased production levels in various manufacturing sectors and an increase in temporary workers. The contact anticipated permanent employment figures would soon begin to rise, as increases in temporary workers generally precede increases in permanent workers.

Table 37 UNEMPLOYMENT RATES			
Area	2009	2010	11Q2
Tulsa MSA	7.1	7.9	6.1
Oklahoma	6.6	7.1	5.4
U.S.	9.3	9.6	8.9

Another community contact stated that there is room for bank participation in providing counseling in developing business plans, improving credit scores, and obtaining start-up business financing.

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income mirror statewide figures. The percentage of families below the poverty level for the entire Tulsa MSA equals 9.0 percent, while the AA was just slightly lower at 8.8 percent.

The global financial panic has had an impact on the Tulsa housing market. Restricted bank lending and less confidence among buyers created a dip in home sales, significant housing permit declines, and fewer new construction jobs. House prices in Tulsa did not experience as significant a boom/bust as much of the country, but foreclosures in the MSA have been more prevalent than the rest of the state.

The housing affordability ratio in the bank's Tulsa MSA AA equaled 45.0 percent as of the 2000 Census, only slightly behind the overall MSA figure of 47.0 percent and the statewide figure of 49.3 percent. The AA's percentage of owner-occupied housing units (57.4 percent) is below the entire MSA figure (62.1 percent). Conversely, the percentage of rental units is above the MSA figure (35.6 percent vs. 30.0 percent).

Table 38 shows income, housing, and general demographic characteristics of the AA.

Table 38 ASSESSMENT AREA DEMOGRAPHICS TULSA OK MSA AA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	4.1	3,612	2.4	1,483	41.1	28,055	18.9
Moderate-income	44	25.6	33,062	22.3	6,127	18.5	25,894	17.5
Middle-income	61	35.5	57,979	39.1	3,779	6.5	30,960	20.9
Upper-income	60	34.9	53,536	36.1	1,573	2.9	63,280	42.7
Total AA	172	100.0	148,189	100.0	12,962	8.7	148,189	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	7,013	2,093	1.5	29.8	3,968	56.6	952	13.6
Moderate-income	59,750	27,023	19.3	45.2	26,824	44.9	5,903	9.9
Middle-income	96,397	55,480	39.6	57.6	35,169	36.5	5,748	6.0
Upper-income	80,793	55,535	39.6	68.7	20,800	25.7	4,458	5.5
Total AA	243,953	140,131	100.0	57.4	86,761	35.6	17,061	7.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	478	1.6	399	1.6	45	2.0	34	1.9
Moderate-income	6,530	22.3	5,322	21.1	708	31.6	500	28.4
Middle-income	10,215	35.0	8,890	35.2	750	33.5	575	32.6
Upper-income	12,004	41.1	10,615	42.1	736	32.9	653	37.1
Total AA	29,227	100.0	25,226	100.0	2,239	100.0	1,762	100.0
	Percentage of Total Businesses:			86.3		7.7		6.0
Based on 2000 Census data and 2010 D&B data.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TULSA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Tulsa MSA AA is rated "low satisfactory". The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is high within the AA. The borrower distribution analysis reflected a very poor performance in the MSA regarding HMDA loans, and a adequate performance regarding business loans. The geographic distribution was very poor for HMDA loans and adequate for business loans. The bank is predominantly a

commercial lender in this market, and the overall rating is weighted more towards its business lending performance. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this AA included 76 HMDA loans and 253 CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.3 percent, while the deposits in the AA equaled approximately 0.8 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 179.0 percent. Therefore, the bank's lending activity test represents strong lending levels in this AA.

Geographic Distribution:

As shown in Table 39, the geographic distribution of the bank's residential mortgage loans was very poor, but the distribution of business loans reflected an adequate loan penetration among geographies of different income levels. The bank did not originate any home improvement loans in the Tulsa MSA AA during the evaluation period.

The bank only has two branches in the AA, both in upper-income tracts. Although one branch is near a moderate-income tract, this branch is primarily oriented towards commercial lending. The concentration of rental units is more pronounced within the LMI tracts of the AA. In low-income tracts, only 29.8 percent of housing units are owner-occupied, and 56.6 percent are rentals; and in the moderate-income tracts 45.2 percent are owner-occupied and 44.9 percent are rentals. These factors may impact the bank's ability to make owner-occupied home purchase or refinance loans in the AA, especially within the LMI tracts. The economic characteristics also vary widely by tract income category. In the low-income tracts, 41.1 percent of families are below the poverty level, and this demographic figure equals 18.5 percent in the moderate-income tracts. In the middle- and upper-income tracts, this indicator drops to 6.5 percent and 2.9 percent, respectively.

Home Purchase Loans

The geographic distribution of home purchase loans reflected very poor penetration throughout the AA. Of the bank's 19 home purchase originations for 2009 and 2010, only one loan was originated in an LMI tract. The one loan was in 2010 and in a moderate-income tract, where the bank's performance (9.1 percent) exceeded aggregate data (8.3 percent). The overall lending volume was low, with eight originations for 2009 and 11 originations for 2010.

Refinance Loans

The geographic distribution of refinance loans reflected very poor penetration throughout the AA, particularly in LMI geographies. The overall lending volume was low, with 25 originations for 2009 and 29 originations for 2010. The bank did not originate any refinance loans in LMI tracts during the evaluation period.

Business Loans

The geographic distribution of business loans reflected adequate penetration in LMI geographies. The bank did not originate any business loans in low-income tracts during the evaluation period, while the bank's performance in moderate-income geographies for 2009 and 2010 was slightly below area demographics and aggregate data.

Table 39 DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT ¹ TULSA OK MSA AA									
Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	8/11	0.0	0.0	0.0	9.1	0.0	18.2	100.0	72.7
Home Refinance	25/29	0.0	0.0	0.0	0.0	12.0	0.0	88.0	100.0
Total HMDA Loans²	34/42	0.0	0.0	0.0	2.4	8.8	4.8	91.2	92.9
Percentage of owner-occupied housing units in AA by income level of tract ³		1.5		19.3		39.6		39.6	
Aggregate Peer Data⁴									
Home Purchase		0.5	0.5	8.6	8.3	38.9	36.6	52.0	54.6
Home Refinance		0.4	0.4	6.0	5.5	30.1	29.3	63.5	64.9
Total HMDA Loans		0.4	0.5	7.5	7.2	34.4	32.9	57.7	59.4
Business Loans:									
Business Loans	130/121	0.0	0.0	16.2	14.9	23.1	14.9	60.8	70.2
Percentage of businesses in AA by income level of tract ⁵		1.6	1.6	22.5	22.3	35.1	35.0	40.8	41.1
Aggregate CRA lending in AA ⁴		1.2	0.9	19.8	18.3	31.4	30.0	46.1	48.9
¹ Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent. ² Total HMDA loans include home improvement loans (0 in 2009; 2 in 2010) and multifamily loans (1 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase loans remained in the analysis. ³ The percentage of owner-occupied housing units in each tract category is based on 2000 Census data. ⁴ Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers. ⁵ The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.									

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 40, the borrower distribution of the bank's HMDA lending reflected a very poor distribution among individuals of different income levels. However, the bank's CRA lending reflected a good distribution among businesses of different revenue sizes.

Home Purchase Loans

The bank's level of home purchase loans to LMI borrowers exhibited a very poor performance. The bank did not originate any home purchase loans to LMI borrowers in 2009 or 2010.

The bank's two branch locations are in upper-income tracts and the bank's primary line of lending focus in the Tulsa MSA AA is commercial lending. Therefore, a majority of the bank's home purchase loans are originated to commercial loan customers for rental/rehabilitation purposes or as an accommodation to business customers for their personal residences.

Refinance Loans

The bank's level of refinance loans to LMI borrowers exhibited poor performance. The bank originated only two loans to LMI borrowers during the evaluation period. Both loans were originated in 2009, with one each to a low-income borrower and a moderate-income borrower. Again, the bank's location and business focus had an impact on the bank's performance for refinance loans. Seventeen of the 54 refinance loans (31.5 percent) originated during the evaluation period were nonowner-occupied and for business purpose, such as rental and rehabilitation projects, so income was not required to be reported.

Table 40 DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER TULSA OK MSA AA									
Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	8/11	0.0	0.0	0.0	0.0	12.5	27.3	50.0	54.5
Home Refinance	25/29	4.0	0.0	4.0	0.0	8.0	13.8	60.0	62.1
Total HMDA Loans¹	34/42	2.9	0.0	2.9	0.0	8.8	19.0	55.9	59.5
Percentage of families in AA by income level ²		18.9		17.5		20.9		42.7	
Aggregate Peer Data³									
Home Purchase		8.7	10.6	25.6	25.3	23.1	22.0	32.6	35.0
Home Refinance		4.0	4.8	13.7	14.4	19.9	20.6	49.1	48.9
Total HMDA Loans¹		6.2	7.5	19.2	19.2	21.4	21.3	41.6	42.6
1 Borrower annual incomes reported as 'NA' for some bank (10 in 2009; 9 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes home improvement loans (0 in 2009; 2 in 2010) and multifamily loans (1 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase loans remained in the analysis.									
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.									
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.									

Business Loans

The bank's level of lending to small businesses in the AA was well below the demographic figure for 2009 (31.5 percent vs. 86.4 percent) and 2010 (40.5 percent vs. 86.3 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and the demographic figures were adjusted, the comparison improves somewhat (53.9 percent vs. 91.8 percent for 2009; 58.3 percent vs. 91.8 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance was somewhat favorable compared to aggregate data, equaling approximately five to eight percentage points above the aggregate data (unadjusted). This level appears to reflect an adequate distribution among businesses of different revenue sizes.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

**Table 41
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
TULSA OK MSA AA**

Business Loans	2009			2010		
	Small ¹	Large	NA	Small ¹	Large	NA
Bank - Number of business loans	41	35	54	49	35	37
Bank - Percentage of loans by size of business	31.5	26.9	41.5	40.5	28.9	30.6
Demographic - Percentage of businesses in the AA ²	86.4	7.7	5.9	86.3	7.7	6.0
Aggregate CRA lending to small businesses in AA ³	23.1			35.5		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of \$1 million or less.

2 The percentage of businesses in the AA is based on 2010 D&B business data.

3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Tulsa MSA AA. The bank originated two loans for economic development during the evaluation period totaling \$2.9 million. The performance was considered excellent in comparison to the bank's minimal presence in the Tulsa AA.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Tulsa MSA AA. Investments in the area totaled \$5.5 million. The investments included three mortgage-backed securities that provided affordable housing to LMI individuals, three SBIC bonds, and one tax credit that revitalized or stabilized an LMI area that was part of an Enterprise Zone. Four investments totaling \$2.6 million were from the prior period with a balance remaining on the bank's books. The other three investments totaling \$2.9 million were made during the evaluation period.

The SBIC bonds are considered complex and innovative, as all were underwritten by an affiliate of the bank. In addition, the bank made efforts to purchase mortgage-backed securities that specifically target LMI borrowers within the Tulsa MSA AA to compensate for its low performance of HMDA-related loans to LMI borrowers.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 22 donations made in the AA during the review period totaling \$31,698. Of the donations reviewed, 15 were qualified for community development purposes totaling \$20,458. This level was considered good in relation to the bank's small presence in the AA.

SERVICE TEST

The bank's performance under the service test in the Tulsa MSA AA is rated "low satisfactory" based on the accessibility of delivery systems and the level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is poor, as the bank's two AA branches are located in upper-income tracts, while 29.7 percent of AA tracts are LMI. Since the last examination, the bank did not open or close a branch office in the AA. Banking offices are reasonably accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a high level of community development services in the Tulsa MSA AA, considering its small presence. The bank provided three qualified services during the review period. The qualified services were with organizations that offer community services targeted to LMI individuals, including the Tulsa Area United Way, Family and Children Services, and the Salvation Army.

**CRA APPENDIX A
SCOPE OF EXAMINATION TABLE**

SCOPE OF EXAMINATION		
<u>FINANCIAL INSTITUTION:</u> Commerce Bank Kansas City, Missouri	<u>PRODUCTS REVIEWED:</u> HMDA LAR Loans: Home Purchase, Refinance, Home Improvement CRA LAR Loans: Small Business, Small Farm Community Development Activities: Loans, Investments, Services	
<u>TIME PERIOD REVIEWED:</u> HMDA and CRA LAR Loans: 2009 and 2010 Community Development Activities: 2009 and 2010		
LIST OF AFFILIATES SUBJECT TO REVIEW FOR THIS EVALUATION		
AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Commerce Mortgage Corporation (CMC)	Subsidiary of Commerce Bank	Home Mortgage Loans
Capital for Business, Inc. (CFB)	Subsidiary of Commerce Bancshares, Inc. (CBI)	Qualified Investments
Two Small Business Investment Companies (SBICs)	Subsidiaries of CFB	Qualified Investments

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED²	COMMUNITY CONTACTS
Multi-State MSAs			
28140 - Kansas City, MO-KS (7 of 15 MSA counties)	Full	922 Walnut St	8 Prior, 3 current
41180 - St. Louis, MO-IL (6 of 15 MSA counties, plus St. Louis City)	Full	None	2 Prior, 1 current
Missouri			
16020 - Cape Girardeau-Jackson, MO-IL ¹ (1 of 3 MSA counties)	Limited	None	None
17860 - Columbia, MO (1 of 2 MSA counties)	Full	None	2 Prior
27620 - Jefferson City, MO (1 of 4 MSA counties)	Limited	None	None
27900 - Joplin, MO (2 of 2 MSA counties)	Limited	None	None
41140 - St. Joseph, MO-KS ¹ (2 of 4 MSA counties)	Limited	None	None
44180 - Springfield, MO (4 of 5 MSA counties)	Full	None	None
Rural Branson (1 county)	Limited	None	None
Rural Hannibal (2 counties)	Limited	None	None
Rural Lebanon (1 county)	Limited	None	None
Rural Mexico/Moberly (2 counties)	Limited	None	None
Rural Poplar Bluff (1 county)	Limited	None	None
Rural St. Francois (2 counties)	Limited	None	None
Rural SW MO (2 counties)	Limited	None	None
Kansas			
29940 - Lawrence, KS (1 of 1 MSA counties)	Limited	None	None
31740 - Manhattan, KS (2 of 3 MSA counties)	Limited	None	None
48620 - Wichita, KS (2 of 4 MSA counties)	Full	None	2 Prior
Rural Garden City (2 counties)	Limited	None	None
Rural Hays (1 county)	Limited	None	None
Rural Hutchinson (1 county)	Limited	None	None
Rural SE KS (3 counties)	Limited	None	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED²	COMMUNITY CONTACTS
Illinois			
14060 - Bloomington-Normal, IL (1 of 1 MSA counties)	Full	None	2 Prior
16580 - Champaign-Urbana, IL (1 of 3 MSA counties)	Limited	None	None
37900 - Peoria, IL (3 of 5 MSA counties)	Limited	None	None
Colorado			
19740 - Denver-Aurora-Broomfield, CO (3 of 10 MSA counties)	Full	None	2 Prior
Oklahoma			
46140 - Tulsa, OK (1 of 7 MSA counties)	Full	None	3 Prior
<p>¹ The Cape Girardeau and St. Joseph MSA AAs have branches only in Missouri; therefore, these AAs are not evaluated as multi-state MSAs.</p> <p>² "Branches visited" indicates where technical compliance with the CRA (signs, public file, etc.) was confirmed. The evaluation of the bank's CRA performance takes into consideration activity from all branch locations, as described in the Scope of Examination.</p>			

CRA APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

STATE OR MULTISTATE METROPOLITAN AREA	LENDING TEST RATING	INVESTMENT TEST RATING	SERVICE TEST RATING	OVERALL RATING
Kansas City, MO-KS MSA	High Satisfactory	High Satisfactory	Outstanding	Satisfactory
St. Louis, MO-IL MSA	High Satisfactory	Outstanding	Outstanding	Outstanding
Missouri	High Satisfactory	Outstanding	Outstanding	Outstanding
Kansas	High Satisfactory	Outstanding	Outstanding	Outstanding
Illinois	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Colorado	Outstanding	Outstanding	High Satisfactory	Outstanding
Oklahoma	Low Satisfactory	Outstanding	Low Satisfactory	Satisfactory

CRA APPENDIX C

GLOSSARY

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 metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community development: Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and 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 Small Business 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. Effective September 1, 2005, the Board of Governors of the Federal Reserve System, adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize (i) low-or moderate-income geographies; (ii) designated disaster areas; or (iii) distressed or underserved nonmetropolitan middle-income geographies designated by the Board, based on: (a) rates of poverty, unemployment, and population loss; or (b) population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 nonrelatives 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 householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

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

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings 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-scope review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (“MA”): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economical and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

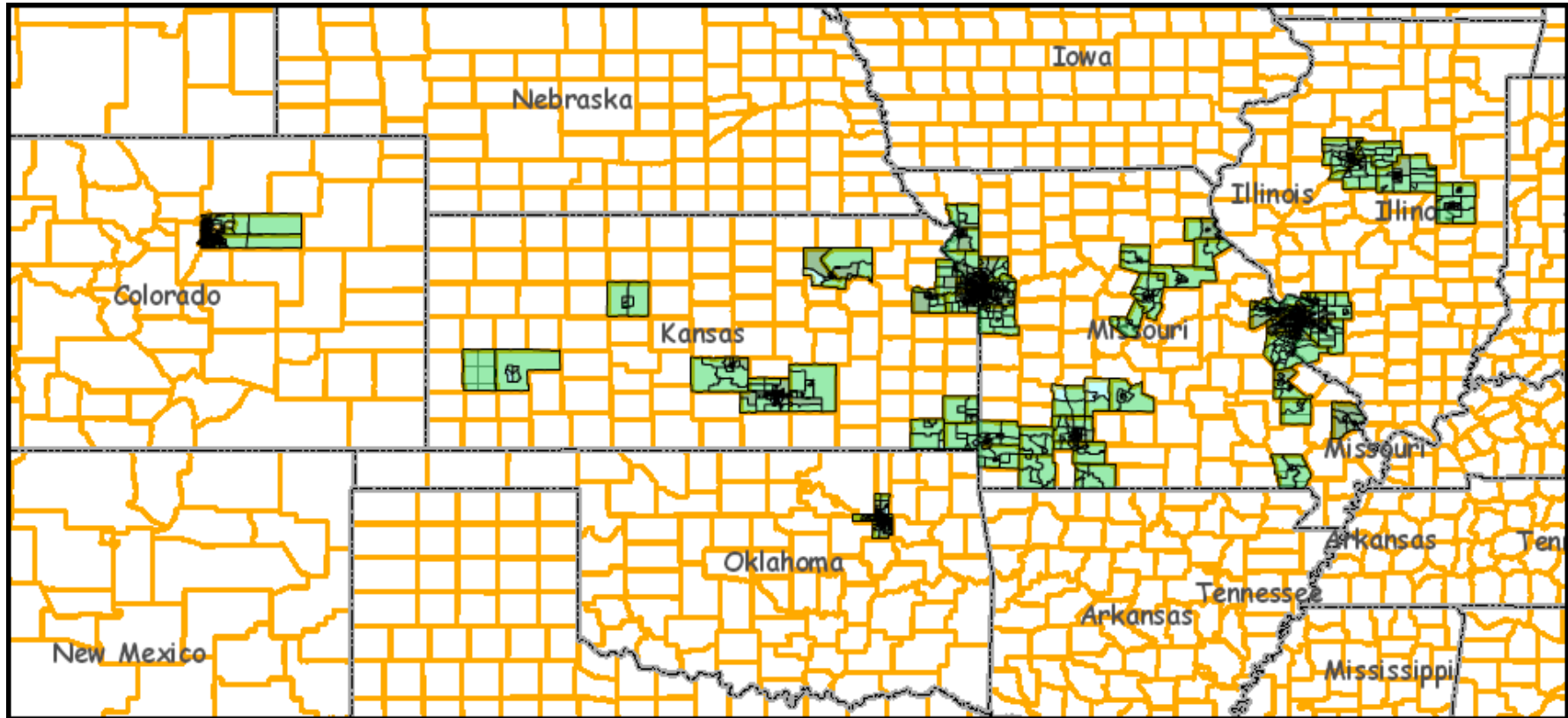
Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report"). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the 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.

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.

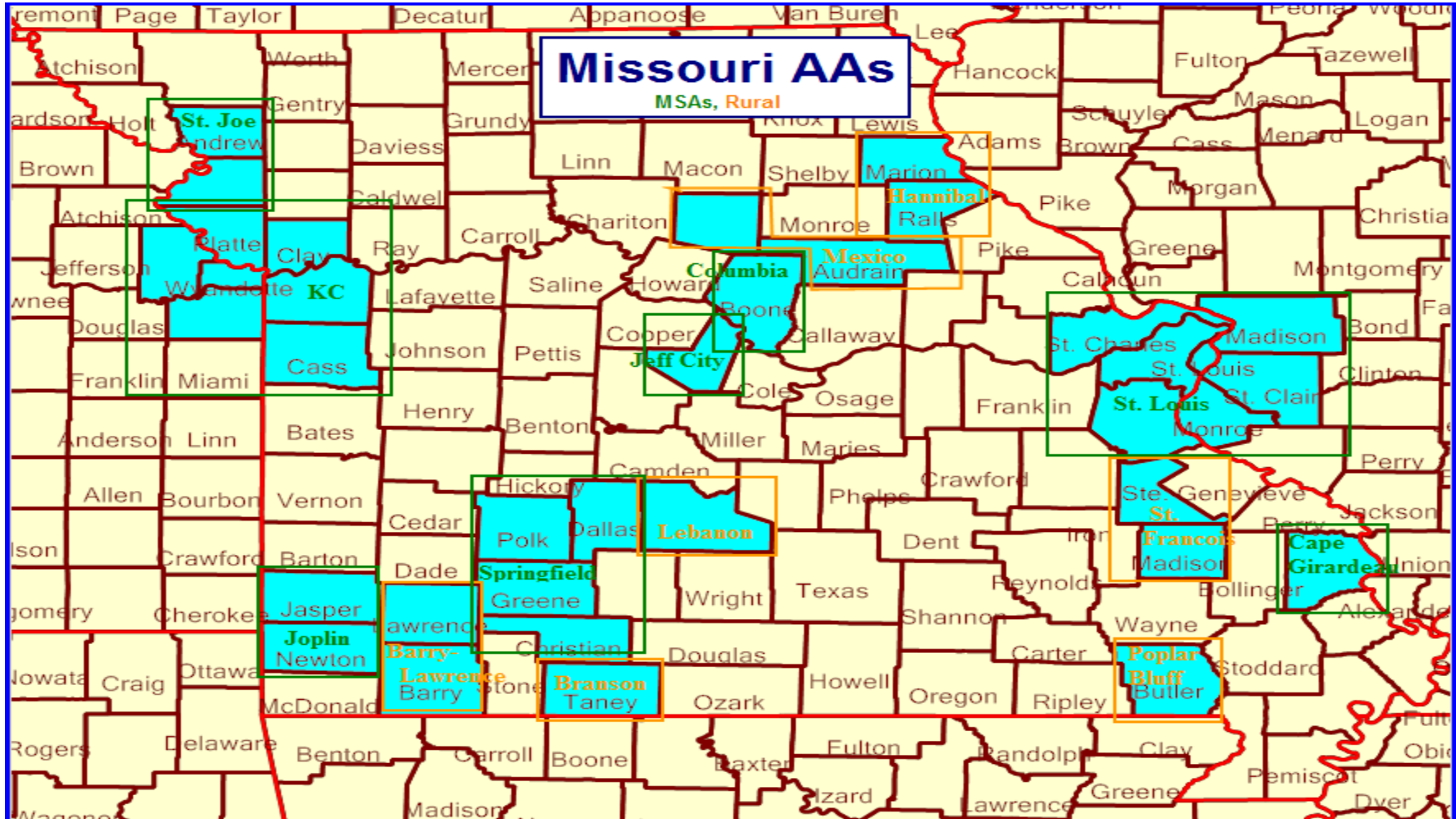
CRA APPENDIX D
ASSESSMENT AREA MAPS

Commerce Bank - All Assessment Areas



The next two pages display maps for the State of Missouri and Kansas, the only two states with rural AAs.

Missouri Assessment Areas

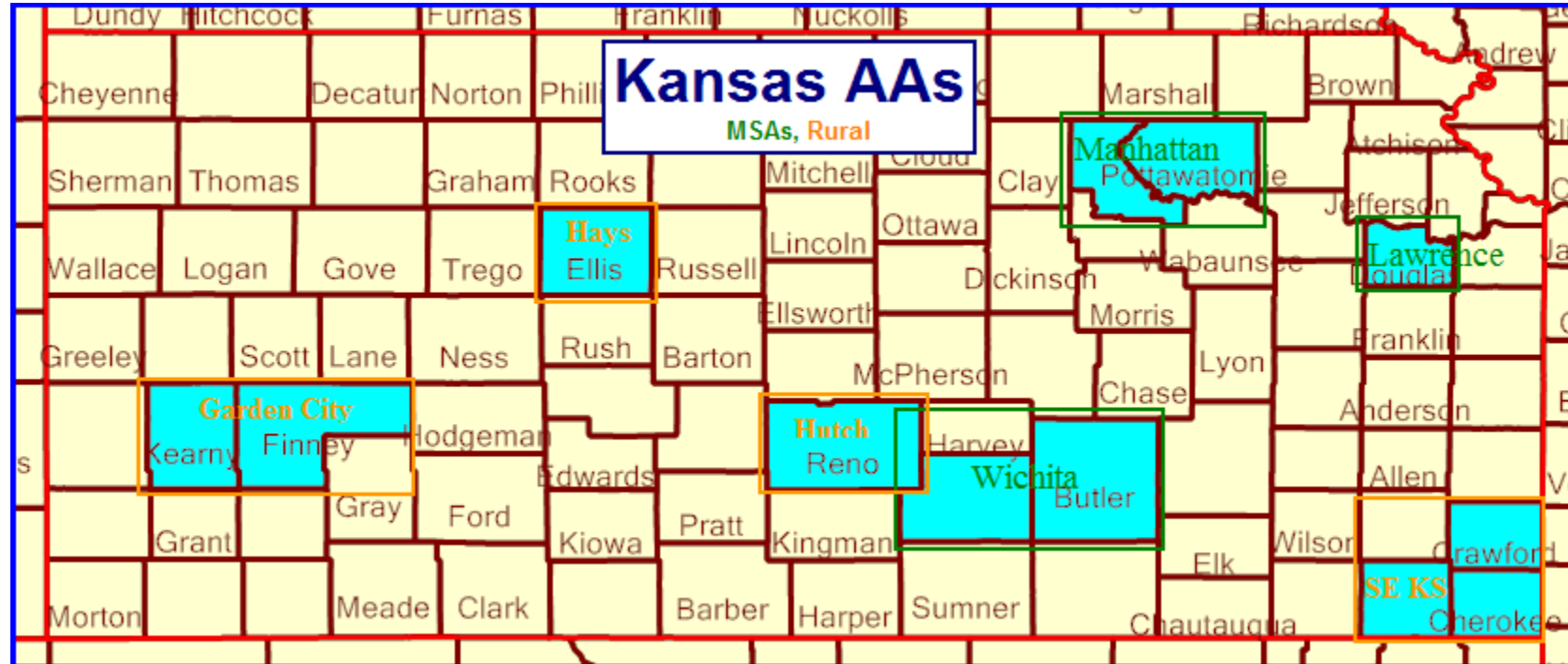


Multistate MSAs (with branches in each state): Kansas City MO/KS; St. Louis MO/IL

MSAs: Cape Girardeau-Jackson MO/IL; Columbia MO; Jefferson City MO; Neosho MO; St. Joseph MO/KS; Springfield MO

Rural MO: Barry-Lawrence Counties; Branson (Taney Co); Hannibal (Marion-Ralls Co); Lebanon (Laclede Co); Mexico (Audrain Co); Poplar Bluff (Butler Co); St. Francois (St. Francois-Madison Co)

Kansas Assessment Areas



MSAs: Lawrence KS; Manhattan KS; Wichita KS

Rural KS: Garden City (Kearny-Finney Co); Hays (Ellis Co); Hutchinson (Reno Co); SE KS (Cherokee-Crawford-Labette Co)