



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 11, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Commerce National Bank
Charter Number 23092**

**534 Marsailles Road
Versailles, KY 40383**

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

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

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Major Conclusions:

- The bank's record of extending credit to consumers of different income levels and businesses of different sizes within its assessment area (AA) is excellent.
- The bank's loan-to-deposit ratio exceeds standards. A significant volume of lending is being done outside the AA due to the unique and restrictive development philosophy of the city and county.
- A substantial majority of the bank's loans are within its assessment area.

DESCRIPTION OF INSTITUTION

Citizen's Commerce National Bank (CCNB) is a \$127 million intrastate institution located in Versailles, Kentucky, approximately 70 miles east of Louisville and 15 miles west of Lexington. CCNB is wholly owned by Citizens Commerce Bancshares, Inc, a single bank holding company. CCNB operates from the main office and one branch in the assessment area. Both facilities are full service and have one ATM at each location. CCNB also owns an ATM located at Quebecor World (manufacturing plant) in Versailles. Mortgage Express Corporation, an independent mortgage company is a subsidiary of the bank. As of September 30, 2001, the bank's net loan portfolio totals approximately \$103 million, or 80% of total assets. Tier One capital is \$9.2 million. The loan mix at September 30, 2001 was as follows:

Consumer	8%	\$ 8,474,058
1-4 Family Residential Real Estate	44%	\$45,653,082
Construction and Development	15%	\$15,755,470
Commercial	33%	\$34,304,242

The bank offers traditional banking services and lending products. CCNB continues to be community oriented and offers a wide variety of loan products including residential real estate, commercial real estate, agricultural, and consumer. The mortgage subsidiary offers many types of residential real estate related products.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community. The bank's previous CRA rating as of September 16, 1997 was Satisfactory.

DESCRIPTION OF WOODFORD COUNTY ASSESSMENT AREA - LEXINGTON-FAYETTE MSA (4280)

CCNB's assessment area is all of Woodford County. The assessment area is comprised of four middle-income census tracts located within the Lexington-Fayette, Kentucky, MSA (4280). It doesn't include any low- or moderate-income tracts. The AA does not include Bourbon, Clark, Fayette, Jessamine, Madison or Scott counties in the MSA. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The following demographic information on the bank's assessment area in Woodford County is also based on 1990 census data, unless otherwise indicated.

Population:	19,955
2000 HUD Adjusted	
Median Family Income:	\$55,200
Median Family Income of AA:	\$32,687
Income Levels:	14% of the families (518 families) are low income; 16% (930 families) are moderate-income; 24% (1,336 families) are middle income; and 46% (2,638 families) are upper-income
Housing Stock:	88% of the housing units are 1-4 family
Occupancy:	67% owner occupied; 27% renter occupied; 6% vacant
Median Home Value:	\$74,078
Median Year of Homes Built:	1970

The local economy is a thriving industrial community. The major industry in the assessment area is manufacturing, followed by services and retail trade. The major employers in the AA are Quebecor World, World Color, OSRAM Sylvania Inc, and United L-N Glass Inc. Eighty-nine percent of the businesses in the assessment area have gross annual revenues of less than \$1 million. As of November 2001, the unemployment rate for Woodford County was 2.7%. This is the lowest rate in the State of Kentucky for the same time period. The Kentucky unemployment rate was 5.1% in November 2001.

There are a total of ten banks in the assessment area, from small community banks to a branch of a large regional bank. The total deposits of these banks range from \$15 million to \$118 million. CCNB is the third largest bank in the county in relation to deposits, with a 30% deposit market share. The bank's major competition in the Woodford County assessment area consists of United Bank and Trust Company and several larger banks in Lexington.

We performed one community contact interview during our evaluation. We contacted the Mayor of Versailles. The contact indicated the credit needs of the community are 1-4 family residential real estate and small business development lending. The development philosophy of the city and county is unique due to restrictive zoning guidelines.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's primary products are 1-4 family residential real estate, commercial real estate loans, and commercial loans because they represent the majority of the loans made during the evaluation period.

Loan-to-Deposit Ratio

The bank's loan to deposit ratio exceeds standards. The bank's average loan to deposit ratio from December 1997 to September 2001 was 94.77%. The quarterly averages from December 1997 to September 2001 ranged from 88.55% to 105.97%. Currently, CCNB's net loans and leases to deposits ratio is 104.19%. This is higher than the ratio of a competitor bank, which is 77%. This competitor was the only other bank in the county that had all of its branches in the county. CCNB's ratio compares favorably to its national peer group, which is 76.83%. The bank exceeds standards in this area but a significant volume of lending is being done outside the AA due to the unique and restrictive development philosophy of the city and county.

Lending in Assessment Area

CCNB's record of lending in the AA meets standards. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period. Due to the bank's proximity to Lexington, Kentucky, the bank originates numerous large-dollar, commercial and real estate loans in the Lexington market, which result in the dollar volume of loans outside of the assessment area increasing significantly. The volume of 1-4 family residential real estate loans, commercial real estate loans and commercial loans outside Woodford County correlates directly to the unique and restrictive development philosophy of the city and county. Conversely, the bank makes a large number of smaller-dollar consumer loans in their assessment area.

Loans Originated in Assessment Area						
Loan Type	# in AA	\$ in AA (000 omitted)	Total #	Total \$ (000 omitted)	Percent # in AA	Percent \$ in AA
Home Purchase*	122	\$11,223	199	\$17,256	61%	65%
Home Refinance*	139	\$14,015	198	\$21,711	70%	65%
Home Improvement*	136	\$6,948	164	\$7,393	83%	94%
Total HMDA*	397	\$32,186	561	\$46,360	71%	69%
Business/Commercial	40	\$2,393	49	\$3,048	82%	79%

* Represents loans originated in 1998, 1999, 2000 and through 9/30/01.

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

CCNB's lending to borrowers of different incomes and to businesses of different sizes exceeds standards based upon the lending performance of the bank within the AA. 8.32 % of the

households in the AA are below the poverty level, which may be a barrier to home ownership.

The distribution of residential real estate lending reflects good penetration among individuals of different income levels including low- and moderate-income individuals. CCNB originated 13.08% of their home purchase loans to low-income families and 20.77% to moderate-income families. This is good given 14.24% of families in the AA are low-income, and 16.26% of families in the AA are moderate-income. The portion of the bank's market share of loans to low-income borrowers is 11.11%, which is higher than the bank's overall market share of 5.25%. The bank's market share of loans to moderate-income borrowers is 8.42%, which is higher than the bank's overall market share.

The number of home improvement loans made among low- and moderate-income families within the AA is good, 12.86% versus 14.24% for low-income and 29.29% versus 16.26% for moderate-income. The portion of the bank's market share of loans to low-income borrowers is 16.67%, which is significantly lower than the bank's overall market share of 33.99%. The bank's market share of loans to moderate-income borrowers is 38.46%, which is higher than the bank's overall market share.

The number of home refinance loans made to low- and moderate-income families reflect a good penetration among low- and moderate-income families in the AA, 11.11% versus 14.24% for low-income and 20.83% versus 16.26% for moderate income families. The portion of the bank's market share of loans to low-income borrowers is 7.89%, which is higher than the bank's overall market share of 4.05%. The bank's market share of loans to moderate-income borrowers is 2.82%, which is lower than the bank's overall market share.

CCNB consistently lends to low- and moderate-income families in the AA. This includes home purchases, home improvement, and home refinance loans.

Residential Real Estate Lending to Borrowers of Different Income Levels Within the AA

Residential Real Estate Lending to Borrowers of Different Income Levels Within the AA									
Borrower Income Level	Families	Home Purchase		Home Improvement		Home Refinance		Multi-family	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low-Income	14.24%	17	13.08%	18	12.86%	16	11.11%	0	0.00%
Moderate-Income	16.26%	27	20.77%	41	29.29%	30	20.83%	0	0.00%
Middle-Income	23.36%	39	30.00%	31	22.14%	38	26.39%	0	0.00%
Upper-Income	46.14%	46	35.38%	48	34.29%	58	40.28%	0	0.00%
NA	0.00%	1	0.77%	2	1.42%	2	1.39%	1	100.00%
Total	100.00%	130	100.00%	140	100.00%	144	100.00%	1	100.00%

Source: Home Mortgage Disclosure Act Loan Application Register (1/1/98 through 9/30/01)

Commercial Loan Originations

The bank's record of lending to small business is good. Of the 40 commercial loans reviewed, 32 loans (80%) totaling \$1,717,395 (72%) were made to businesses with annual gross revenues

less than \$1 million. This is slightly below the percentage of businesses (89%) with revenues of \$1 million or less in the bank's AA. The distribution analysis of commercial loans by borrower income was based on a sample of 40 loans made within the bank's AA since its last CRA evaluation. Gross revenue information for 5 of the 40 loans reviewed was not used in the credit decision.

Commercial Loans - Distribution of Business Loans by Revenue Size

\$ Total of Loans	# Loans Revenues < \$1 Million	# Loans Revenues > \$1 Million	# Loans Revenues Not Recorded
\$1,717,395	32		
\$526,975		3	
\$149,220			5

Source: This table is based on a sample of forty commercial loans originated in the bank's assessment area between 1/1/98 and 9/30/01.

Geographic Distribution of Loans

The main focus of this analysis is to analyze the bank's geographic distribution of lending among low-, moderate-, middle-, and upper-income geographies. Since the assessment area consists of four census-tracts that are all considered middle-income, an analysis of the bank's loan distribution by geographies would not provide a meaningful analysis.

Responses to Complaints

No CRA related complaints have been received since the CRA examination in September 1997.

Fair Lending Review

An analysis of recent public comments, and consumer complaint information was performed according to the OCC's risk based analysis approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in September 1997.