



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commerce National Bank
Charter Number 22236**

**100 E. Wilson Bridge Road
Worthington, Ohio 43085**

Office of the Comptroller of the Currency

**Columbus Duty Station
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017**

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

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Commerce National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 20, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**.

The institution's satisfactory rating is supported by a strong loan-to-deposit ratio of 93% and a good record of originating over 90% of its loans from within its designated assessment area. The institution's primary focus is business lending. Small business loans show a reasonable penetration throughout all commercially zoned parts of the assessment area and in all categories of census tracts, including low- and moderate-income tracts. The institution is also a leader in originating loans guaranteed by the Small Business Administration (SBA).

The following table indicates the performance level of **Commerce National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	COMMERCE NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

Commerce National Bank (CNB) commenced operations in July 1991. It has one office in the City of Worthington, Ohio. As of the September 30, 1996 Call Report, the bank had total assets of \$97,377 and gross loans of \$81,436. Business loans comprise 57% of the loan portfolio, real estate secured loans comprise another 38% and consumer loans another 5%.

CNB was established to meet the specific needs of privately owned businesses and self-employed professionals. The bank does no advertising and does not solicit retail business, although some home mortgage and consumer loans are made to accommodate business customers. The bank offers the following products: business term loans and lines of credit, construction loans, loans guaranteed by the Small Business Administration (SBA), home mortgage loans, home equity loans and consumer loans. In addition, the bank offers a wide range of services including: courier pickup and delivery of deposits, payroll processing, electronic banking, automatic cash management and investment sweep accounts. Competition is intensive and is provided by regional banks and non-bank financial institutions headquartered in Columbus, as well as regional banks and other institutions operating nationwide.

DESCRIPTION OF ASSESSMENT

CNB has defined its assessment area as the whole of Franklin County, Ohio, as well as four contiguous census tracts in Delaware County to the north. This area falls completely within the Columbus Metropolitan Statistical Area (MSA) and accounts for 72% of the total MSA population. The Franklin County economy is relatively good. The MSA median family income level has risen from \$36,792 in 1990 to \$46,200 in 1995. The June 1996 unemployment rate for Franklin County at 2.9% is considerably below the statewide and national rates of 4.5% and 5.0% respectively. The largest employers include state and local governments, the Ohio State University, as well as financial, insurance and real estate related businesses. Trade and service sectors account for over 50% of total employment. Specific demographic information on the assessment area is as follows:

Population						
Total Population	Total Households	Households on Public Assistance	Retired Households	Self-Employed Households	Wage/Salary Households	
989,290	388,460	28,588	56,847	44,940	319,114	
Housing (000s)						
Owner-Occupied	Rental-Occupied	1-4 Family Units	Multi-Family Units	Mobile Homes	Vacant Units	Total Units
216	172	308	99	5	27	415

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio has averaged 95.8% over the 12 quarters since the last CRA examination dated October 25, 1993. This level of performance substantially exceeds that of the bank's national peer group which has an average loan-to-deposit ratio over the same period of 65.8%. This peer group consists of institutions of similar asset size and branching structure located in metropolitan areas nationwide. The bank actively seeks out lending opportunities and supports approximately 25% of its loan portfolio with brokered deposits. The current loan-to-deposit ratio of 95.8% also compares favorably to the average of 76% exhibited by three other banks of similar size in metropolitan areas which also focus exclusively on business lending.

LENDING IN ASSESSMENT AREA

The bank originates a high percentage of loans within its assessment area. Over 90% of both business loans and residential mortgage related loans are made within the bank's assessment area. These two categories of loans comprise approximately 95% of all loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

Loans for the purpose of purchasing, refinancing or improving residential dwellings are reported on the bank's Home Mortgage Disclosure Act (HMDA) report. The majority of these loans have been originated in upper income census tracts and none in low- and moderate-income census tracts. This distribution is not representative of the demographic distribution of all census tracts in the assessment area. The 1990 US Census Bureau statistics show a majority of census tracts as low- and moderate-income. This is illustrated in the four columns on the left side of **Table 1** below.

TABLE 1

Geographic Distribution of Loan Originations January 1, 1996 to September 30, 1996					
Income Category of Census Tract	Number of HMDA Loans	Percent of HMDA Loans	Percent of all Census Tracts in Category	Number of Small Business Loans	Percent of Small Business Loans
Low to Moderate	0	0%	40%	59	22%
Middle	6	17%	36%	60	23%
Upper	29	83%	24%	145	55%

TOTAL	35	100%	100%	264	100%
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Source: CNBC Internal Reports

Management acknowledges that the bank does not actively solicit HMDA reportable loans and that the small number shown were originated exclusively as accommodation loans to business customers. The three columns on the right side of **Table 1** also illustrates the distribution of small business loans originated during the first three quarters of 1996. These loans show a reasonable distribution among all categories of census tracts. A substantial number of these loans have been originated to businesses operating in the central business district of Columbus as well as in smaller commercial areas in the northern, eastern and western parts of the assessment area. The bank has originated loans in 27 of the total of 99 low- and moderate-income census tracts included in the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The bank has made a substantial majority of its HMDA reportable loans to borrowers in the upper income category, with relatively few loans to borrowers in the low- and-moderate income category. As related above, bank management acknowledges that they do not actively solicit these types of loans and originate them only as an accommodation to business customers. This is shown below in **Table 2**.

TABLE 2

Distribution of Loan Originations to Borrowers of Different Income Levels January 1, 1995 to December 31, 1995			
Income Category of Borrower	Number of HMDA Loans	Percent of HMDA Loans	Percent of all Families in Income Category
Low to Moderate	6	10%	36%
Middle	2	3%	24%
Upper	55	87%	40%
TOTAL	63	100%	100%

Source: CNBC Internal Reports

The bank has a good record of lending to businesses. **Table 3**, on the following page, shows the size distribution of business loans currently in the bank's portfolio. We reviewed a sample of business loans originated during 1996 and found that approximately 25% had been made to businesses with revenues under \$1 million. According to 1990 US Census Bureau statistics, approximately 62% of all businesses in the assessment area had revenues under \$1 million. A significant number of these smaller size businesses are retail businesses which handle many small dollar customer transactions. Because of its structure (only one main office, no drive-up facility and no ATMs) the bank cannot reasonably meet the frequent cash deposit/transaction needs of these types of businesses. The bank has chosen to focus on lending to certain other

sectors of the business market, such as wholesale service providers and transportation companies which do not tend to be as transaction intensive.

TABLE 3

Business Loans Outstanding as of June 30, 1996				
Original Loan Amount	# Loans	% Loans	\$ Amount	% \$ Amount
\$100M and less	470	73%	11,762	28%
Greater than \$100M to \$250M	115	18%	13,043	31%
Greater than \$250M to \$1,000M	58	9%	16,861	41%
TOTAL	643	100%	41,666	100%

Source: June 30, 1996 Call Report

The bank is a leader in originating SBA guaranteed loans to borrowers with limited resources. The comparatively lower volume in 1996 can be attributed to higher fees charged by the SBA to both the customer and the financial institution.

TABLE 4

SBA Loan Originations		
	Number of Loans	\$ Amount of Loans
1995 (12 months)	13	4,206,545
1996 (9 months)	5	977,000
TOTAL	18	5,183,545

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

A fair lending review was performed concurrently with this examination. We noted no evidence of discriminatory or other illegal credit practices on any prohibited basis. The bank is in compliance with the substantive provisions of the anti-discrimination laws.