



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 16, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commerce National Bank
Charter Number 22236**

**100 East Wilson Bridge Road
Worthington, Ohio 43085**

**Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 101
Dublin, Ohio 43017**

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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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 the **Commerce National Bank (CNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 16, 2001**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

The Community Reinvestment Act defines the economic status of families and geographies as low-, moderate-, middle-, or upper-income. A low-income borrower means a borrower whose annual income is less than 50% of the Metropolitan Statistical Area's (MSA) median family income. A low-income geography refers to a census tract where the median income of all residents is less than 50% of the MSA median family income. The same test applies for the other income categories, except that moderate-income means 50% to 80%, middle-income means 80% to 120%, and upper-income means in excess of 120%.

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

- The bank originates a substantial majority of its home mortgage and small business loans in the assessment area;
- The bank has an excellent loan-to-deposit ratio;
- The geographic and borrower distributions of commercial and HMDA loans are reasonable;
- The bank originated a reasonable amount of its commercial loans in small loan amounts of \$100 thousand or less;
- The bank originated a reasonable amount of loans to small businesses with annual gross revenues of \$1 million or less; and;
- There was no complaints regarding the banks' CRA performance during this review period.

DESCRIPTION OF INSTITUTION

Commerce National Bank (CNB) is located in Worthington, Ohio. It is an independent intrastate bank. Since its inception in 1991, the bank only has one location.

This bank's primary business focus is commercial lending. The bank is not active in consumer loans. Most of its home mortgage loans are derived from its commercial lending affiliations as an accommodation to those affiliations.

Since the previous CRA Examination, the bank has grown from approximately \$100 million to \$263 million as of December 31, 2000. The growth is primarily centered in real estate and commercial loans. At year-end 2000, net loans to assets were 82.61%. Total loans of \$220 million were comprised of 42% residential real estate, 22% commercial real estate, 34% commercial and 2% consumer loans. The bank participates with government and state programs that assist borrowers with flexible financing terms, such as the Small Business Administration Program and the Ohio Linked Deposit Program.

There are no financial or legal impediments that hinder the bank in providing community credit needs. The bank's Tier 1 capital has averaged in the 6% range over the past three years.

The bank received "Satisfactory" on its previous CRA performance; the public evaluation was dated November 26, 1996.

The review period for this CRA evaluation includes the years 1997, 1998, 1999, and 2000. This is the period from the previous CRA Examination through the most recent fiscal period.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is located in the Columbus Metropolitan Statistical Area (MSA) 1840. Its AA includes all or portions of two of the six counties in the MSA. The bank has delineated all of Franklin County and four census tracts in Delaware County. This AA consists of 256 geographies; 35 (14%) are low-income, 64 (25%) are moderate-income, 93 (36%) are middle-income and 61 (24%) are upper-income, and 3 (1%) are NA. The AA did not change from the previous CRA public evaluation. The AA meets the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Franklin County is a major portion of the bank's AA. It is where the bank and the State Capital are located. The largest city in Franklin County, by far, is the City of Columbus, Ohio. The unemployment is traditionally lower than that of the State of Ohio. As of May 2001, the Franklin County unemployment rate was 2.2% and is lower than the State of Ohio's 3.6% for the same period. Franklin County is primarily heavy in the service and trade industries. Worthington, Ohio where the bank is located has a lot of small businesses. One of the large employers there is Budweiser. Also, residents commute to the City of Columbus for employment.

The Delaware County portion of the bank's AA is comprised of the lower portion of the county that borders the northern part of Franklin County. It is within five miles of the bank's location. Delaware County is a growing retail area. It has a stable economy. The unemployment rate is historically well maintained. As of May 2001, it was 1.6% and well below the State of Ohio's 3.6% for the same period.

Table 1 represents the characteristics of the AA including population, number of families, number of housing units, and the 2000 HUD Median Family Income for each family income level. This information is utilized to determine the conditions of the AA that may affect the opportunities the bank has to meet the credit needs of the community.

TABLE 1

ASSESSMENT AREA DEMOGRAPHICS							
Income-Level	Persons		Families		Housing Units		HUD 2000 Median Family Income
	Number	Percent	Number	Percent	Number	Percent	
Low-income	119,804	12.11	23,427	9.30	48,141	11.60	\$ 0 - \$28,649
Moderate-income	208,508	21.08	49,238	19.55	92,757	22.34	\$28,650 - \$45,840
Middle-income	339,085	34.28	90,016	35.75	145,733	35.10	\$45,841 - \$68,760
Upper-income	321,449	32.49	89,136	35.40	128,542	30.96	\$68,761 & above
NA	444	.04	0	0.00	7	0.00	0
Total	989,290	100.00	251,817	100.00	415,180	100.00	NA

Source: 1990 U.S. Census

According to the 1990 Census data, the AA has approximately 989,290 persons. The middle- and upper-income geographies house most of the housing units, people, and families. The Housing of Urban Development (HUD) 2000 Updated Median Family Income for the MSA is \$57,300. The AA's main source of income is derived from wages and salary. A fairly high percent (12%) of the households live below the poverty level.

TABLE 2

Business Demographics			
	# Businesses	# Businesses with annual gross revenues < \$1 million	% businesses with annual gross revenues less than \$1 million
GEOGRAPHIES			
Low-income	3,788	3,117	82.29
Moderate-income	6,176	5,387	87.22
Middle-income	12,973	11,353	87.51
Upper-income	16,150	13,891	86.01
Totals	39,087	33,748	86.34

Source: Dunn and Bradstreet

Note: there were 1,013 businesses located in areas that had no assigned revenue category.

In the AA there are approximately 328 offices of 33 financial institutions. Within the bank's location, the City of Worthington, Ohio and zip code 43085, ten financial institutions with 16 offices exist. Although the number of financial institutions located locally is much lower than the whole AA, the majority is large regional banking companies. Competition is very significant as the bank has a single location with an AA of significant size. Competitors include The Fifth Third Bank, a \$3 billion institution and Huntington National Bank, a \$28 billion institution; both

are chartered in Columbus, Ohio.

We met with one community based organization to ascertain the credit needs of the community. In relation to credit needs of local businesses, no unmet needs were identified.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's performance of commercial business lending is considered foremost in this CRA examination given that it is the bank's primary focus.

To evaluate the level of lending to commercial business borrowers, we utilized the bank's computer loan system to select a sample of 20 loans originated between January 1, 1997 and December 31, 2000. We used these numbers first to perform the analysis of "Lending in Assessment Area." To perform the Geographic Distribution and Borrower Distribution analyses, we used only loans originated within the bank's AA. Therefore, we found additional commercial loans in the bank's AA to account for those out-of-AA loans in the original sample.

To evaluate the level of lending to home mortgage borrowers, we utilized the Home Mortgage Disclosure Act (HMDA) data. This information provides activity of the bank's lending for home purchase, home-improvement, and refinance purposes for 1-4 family dwellings as well as multifamily. We used the HMDA data that is provided on an annual basis for the 4 years of this review period. We noted that the bank's HMDA performance is less than the demographics in the AA. However, we took into account that the bank is not very active in this type of lending. It is done primarily as an accommodation for business customers. There are a sufficient amount of other financial institutions that provide home mortgage lending. According to the 1999 market share information for HMDA reporters in the bank's AA, CNB was the 99th lender out of 542 lenders that make home mortgage loans in the AA.

Loan-to-Deposit Ratio

CNB's loan to deposit ratio is excellent given the bank's size and financial condition. It has historically exceeded its peer banks or banks that are similarly situated.

During the review period or 16 quarters since the last CRA examination, the bank's quarterly loan to deposit ratio has ranged from the 98th percentile up to the 103 percentile at year-end 1999. CNB does utilize brokered deposits. CNB's average loan-to-deposit ratio for this review period is 99.7 percent.

Within the Columbus MSA 1840, three banks were identified that have a similar asset size to that of CNB. Using those three banks as CNB's peers, a Uniform Bank Performance Report was obtained to ascertain the peer banks' loan-to-deposit ratio. The loan-to-deposit ratio for the MSA peer banks' ranged from 80.0 percent to 85.0 percent. Their average loan-to-deposit ratio is 82.4 percent for this review period.

Lending in Assessment Area

CNB's lending in its assessment area is excellent. A substantial majority of its loans were originated in its AA.

Of the 371 home mortgage loans originated during this review period, 349 or 94% were originated in the bank's AA.

Of the 20 commercial loan sample taken of commercial loans originated during this review period, 18 or 90% were originated in the bank's AA.

Geographic Distribution of Loans

CNB's geographic distributions of commercial business and HMDA lending are reasonable.

For commercial business loans, we utilized Dunn and Bradstreet data. We utilized information to ascertain the total number of businesses in the AA and their location by geography, based on the income level of the geography. For the HMDA loans, we utilized the 1990 U.S. Census Bureau statistics. The bank's percent of HMDA loans made in geographies based on the income level of the geographies was compared to the percent of owner-occupied housing units in those geographies.

Commercial Loans

CNB's geographic distribution of commercial loans is reasonable. The sample resulted in most of the bank's commercial loan being originated in middle-income census tracts. Most of the businesses in the AA are located in middle-income and upper-income geographies. The bank's commercial loan originations in the low-income census tracts were considered excellent and the originations in the moderate-income tracts were considered less than reasonable. Consideration was given to the demographics in the AA which include a high level of competition.

CNB's percent of commercial loans in the low-income geographies exceeds the percent of businesses located in those geographies.

CNB's percent of commercial loans in the moderate-income geographies is considerably less than the percent of businesses located in those geographies.

See Table 3 for detail.

TABLE 3

Commercial loan sample - Geographic Distribution				
Income Level	Low-income	Moderate-income	Middle-income	Upper-income
% businesses	9.69	15.80	33.19	41.32
% bank loans	10.53	5.26	47.37	36.84

Source: Dunn and Bradstreet

CNB's commercial loan system provides census tracts of the location of most of its business

loans. Based on the available information on the loan system, the bank originated commercial loans in 165 tracts, or 64% of the 256 tracts in the bank's AA.

Home Mortgage Loans

CNB's geographic distribution of HMDA loans is reasonable. The bank's performance in home purchase and refinance is less than the demographics; however, greater consideration was given to multi-family lending which the bank's percent to both low-income and moderate-income borrowers exceeded the demographics. Multi-family lending is more in line with the bank's business customers' needs.

CNB's percent of home purchase originations in low-income geographies is less than the percent of owner-occupied housing units in those geographies. The bank's percent of home purchase originations in moderate-income geographies is less than the percent of owner-occupied housing units in those geographies.

CNB's percent of home-improvement originations in low-income geographies exceeds the percent of owner-occupied housing units in those geographies. The bank originated no home-improvement loans in moderate-income geographies during this review period.

CNB's percent of refinance originations in low-income geographies is less than the percent of owner-occupied housing units in those geographies. The bank's percent of refinance originations in moderate-income geographies is less than the percent of owner-occupied housing units in those geographies.

CNB's percent of multi-family originations in low-income geographies exceeds the percent of owner-occupied housing units in those geographies. The bank's percent of multi-family originations in moderate-income geographies exceeds the percent of owner-occupied housing units in those geographies.

See Table 4 for detail.

TABLE 4

HOME MORTGAGE LOANS								
GEOGRAPHIC DISTRIBUTION								
Geographies	Low- Income		Moderate- Income		Middle- Income		Upper- Income	
% Owner- Occupied Housing	5.24		16.82		37.18		40.76	
Bank loans	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Home Purchase	4	2.15	18	9.68	75	40.32	89	47.85
Home-Improvement	2	7.41	0	0.00	9	33.33	16	59.26
Refinance	2	2.22	5	5.56	27	30.00	56	62.22
Multi-family	9	19.57	14	30.43	14	30.43	9	19.57

Source: 1990 U.S. Census

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

CNB's borrower distributions of commercial business lending and HMDA lending are reasonable.

For the commercial business loans, we utilized Dunn and Bradstreet to ascertain the number of businesses in the assessment area and the number of those businesses that have annual gross revenues of \$1 million or less. For the HMDA loans, we utilized the 1990 U. S. Census Bureau statistics. We compared the bank's percent of HMDA loans to borrowers based on their income level to the percent of families in the same income level.

Commercial Loans

CNB's distribution of commercial loans is reasonable. The commercial sample showed the bank originated most commercial loans in amounts between \$1 thousand and \$250 thousand. This category of lending amounts for the majority of the number and dollars of the originated, 90% and 58%, respectively. Table 5 provides additional detail.

TABLE 5

COMMERCIAL LOAN Sample - Borrower Distribution				
	Number	Percent	Dollar Amount	Percent
\$0 - \$100,000	9	45	\$ 391,000	10
\$100,001 - \$250,000	9	45	\$1,834,000	48
\$250,001 - \$1,000,000	2	10	\$1,597,000	42

Source: sample of commercial loans

Utilizing the entire commercial loans for the review period, the bank originated a higher number of commercial loans in amounts of \$100 thousand or less than shown in the table above. We were able to use the bank's commercial loan system to obtain this information. See Table 6 for detail.

TABLE 6

COMMERCIAL LOAN Originations - Borrower Distribution				
	Number	Percent	Dollar Amount	Percent
\$0 - \$100,000	718	53	\$ 32,471,000	9
\$100,001 - \$250,000	360	27	\$160,938,559	44
\$250,001 - \$1,000,000	273	20	\$170,082,055	47

Source: bank's internal computer loan system

CNB originated 60% of the loans sampled to businesses in the assessment area with annual gross revenues of \$1 million or less. This is considered reasonable in relation to the 86% of businesses in the assessment area with annual gross revenues of \$1 million or less. Also, the bank considers that a large portion of businesses in the AA is primarily retail related. The bank is not a retail lender. See Table 7 for detail.

TABLE 7

COMMERCIAL LOAN Sample - Loans By Revenue Size of Business - Borrower Distribution		
	Number	Percent
Businesses in assessment area with revenues less than \$1million	34,507	86.05
Bank loans to businesses with revenues less than \$1 million	12	60.00

Source: Dunn and Bradstreet

Home Mortgage Loans

CNB's borrower distribution of home mortgage is reasonable although its performance for all HMDA products in the low- and moderate-income category is below the demographics. This is not unlikely given that the bank is not primarily a mortgage lender and does not aggressively seek this business.

CNB's percent of home purchase originations to low-income borrowers is less than the percent of those families in the AA. The bank's percent of home purchase originations to moderate-income borrowers is less than the percent of those families in the AA.

CNB originated no home-improvement loans to low-income borrowers during this review period. The bank's percent of home-improvement originations to moderate-income borrowers is less than the percent of those families in the AA.

CNB originated no refinance loans to low-income borrowers during this review period. The bank's percent of refinance originations to moderate-income borrowers is less than the percent of those families in the AA.

See Table 8 for detail.

TABLE 8

HOME MORTGAGE LOANS								
BORROWER DISTRIBUTION								
	Low- Income		Moderate-Income		Middle-Income		Upper-Income	
% Families	18.79		17.24		23.99		39.98	
Bank Loans:	#	%	#	%	#	%	#	%
- Home Purchase	3	1.61	6	3.23	8	4.30	55	29.57
- Home-Improvement	0	0.00	3	11.11	3	11.11	7	25.93
- Refinance	0	0.00	2	2.22	4	4.44	34	37.78
Multi-family*	0	0.00	0	0.00	0	0.00	0	0.00

* The bank originated 46 multifamily loans, no financial information was available.

Responses to Complaints

No complaints regarding the banks' CRA performance have been submitted during this review period.

Fair Lending Review

An analysis of four years public comments, consumer complaint information, and HMDA was performed according to the OCC's risk based fair lending approach. Based on its analysis of 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 1996.