

## PUBLIC DISCLOSURE

June 25, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Commerce Bank of Washington, N.A.  
Charter Number 18752

Suite 3600  
601 Union Street  
Seattle, Wa 98101

Comptroller of the Currency  
Western District  
50 Fremont Street, Suite 3900  
San Francisco, California 94105  
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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## 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 Bank of Washington, N.A., prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 25, 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 Commerce Bank of Washington demonstrates a reasonable loan-to-deposit ratio and a majority of the bank's loans are within its assessment area. Given the demographics of the bank's assessment area, there has been reasonable penetration of business loans among the various census tracts.

The following table indicates the performance level of The Commerce Bank of Washington, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</u> 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

The Commerce Bank of Washington, N.A., (CBW) is located in downtown Seattle, Washington. The bank has one office and no proprietary ATM's. CBW targets businesses and professionals in the Seattle area. The bank is in sound financial condition and has total assets of \$189 million as of March 31, 1996. Other than its size, there are no impediments to the bank's ability to meet the various credit needs within its assessment area.

The following table represents the portfolio composition as of March 31, 1996. The majority of the bank's portfolio consists of loans made to businesses and individuals for business purposes. CBW also offers short term real estate loans and personal loans to its business and professional clients.

Composition of Loan Portfolio  
( in thousands)

Business loans	\$61,132	52%
Real estate secured loans	\$30,063	25%
Individual loans	\$4,903	4%
Other loans	\$22,518	19%
Gross loans	\$118,616	100%

## DESCRIPTION OF ASSESSMENT AREA

CBW's assessment area consists of Seattle and the adjacent cities of Bellevue, Kirkland, and Mercer Island. Each is in the Seattle Metropolitan Statistical Area (MSA). The MSA comprises the counties of King, Snohomish, and Island. CBW is located in downtown Seattle. The assessment area meets the requirements of the regulation.

Based upon 1990 U.S. census data, the MSA has a population of 1,507,319, a median family income of \$43,103, and contains 326 census tracts. CBW's assessment area has 46% of the population and contains 153 (48%) census tracts. The following table shows the number and percent of census tracts in the assessment area by income level.

## Census Tracts by Income Level

INCOME CHARACTERISTIC OF CENSUS TRACT	# OF TOTAL CENSUS TRACTS	% OF TOTAL CENSUS TRACTS	% OF POPULATION
Low Income	9	6%	4%
Moderate Income	31	20%	20%
Middle Income	78	50%	50%
Upper Income	35	24%	26%

Local industries include manufacturing, forest products, and exports. Major employers include Boeing and Microsoft. Economic indicators demonstrate a stable local economy which has maintained a slow steady growth.

We conducted two community contacts. One was a community organization and the other was a university that does research on community needs in economically depressed areas. We determined through discussions with these contacts that the bank does provide the types of business products identified as community needs. These include business lines of credit, operating capital, and equipment loans.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

#### LOAN TO DEPOSIT RATIO

The bank's ratio is reasonable given its size, its lending focus, and the commercial market in which it operates.

- The Commerce Bank achieved an average loan-to-deposit ratio of 75% over the past eight quarters. Similarly situated banks report an average loan-to-deposit ratio of 69% during the same period.

#### LENDING IN ASSESSMENT AREA

A majority of the bank's business loans are inside its assessment area.

- Based on our review of all loans originated from January 1995 through March 1996, 76% (based on number of loans) were in the assessment area

#### LENDING TO BUSINESSES OF DIFFERENT SIZES

The bank has a reasonable loan penetration among businesses of different sizes. Our analysis consisted of reviewing all loan originations from January 1995 through March 1996. The following table represents the bank's performance in lending to small businesses (those with annual revenues of \$1 million or less) and to other size businesses.

#### Loan Originations

	Originations in thousands	Number of originations
Small business	\$12,888 25%	# 120 38%
Other business	\$37,352 75%	# 194 62%
Total	\$50,240 100%	# 314 100%

Of the loans made to small businesses, 67% were in an amount less than \$100,000 compared to 39% for other size businesses.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of the bank's loans reflects good dispersion throughout its assessment area.

As the following table of business loans originated over the past quarters shows, loan penetration and the dispersion have been good. For example, 26% of the geographies in the bank's assessment area are low and moderate-income census tracts and 24% of the bank's loans by number and 26% by dollar volume have been in these areas.

#### Distribution of Loans

	census tracts	%	# of loans made	%	000's \$ of loans made	%
Low income	9	6%	19	6%	\$2,852	6%
Moderate	31	20%	57	18%	\$10,197	20%
Middle	78	51%	73	23%	\$9,583	19%
Upper	35	23%	90	29%	\$14,669	29%
Outside area			75	24%	\$13,039	26%
Total	153	100%	314	100%	\$50,340	100%

#### RESPONSE TO COMPLAINTS

The Commerce Bank did not receive any complaints related to its CRA performance since our last examination.

#### RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations. As determined from our Fair Lending examination, bank personnel are consistent in applying the bank's underwriting guidelines to all applicants, regardless of race or ethnicity. We also found that the bank has adequate policies, procedures, training programs, and internal assessment efforts to help ensure fair treatment to all loan applicants.