

BankNotes

1ST Quarter 2012

Welcome to Commerce National Bank's BankNotes newsletter! We think you will find BankNotes to be a useful tool for you and others in your company, and we encourage you to share our newsletter with staff and colleagues. Questions or comments about BankNotes? Contact Donna Garrett at (614) 583-2085.

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**HEALTHCARE
BUSINESS
BANKING
GROUP**

JENN'S CORNER

What Will Be Your Legacy?

by Jennifer Griffith, President and CEO



Jessica Gliha, our Director of Marketing, and I have a lot of conversations about corporate branding. It always energizes me, challenges me to see things differently and encourages me to stay

committed to a goal ... to begin with the end in mind.

My greatest mentor once complimented me by recognizing my enjoyment in the journey rather than only concentrating on reaching the goal. I suppose that's true – but the journey is only enjoyable if it's leading to an achievable goal! Mindless wandering is not helpful if you're in the business of building a great business!

Goal setting is a common topic this time of year and is most likely one of your strongest qualities. Successful businesses and admired leaders have all mastered the art of goal setting. Goal achievement may be the topic of a

future article ... but for now I want to focus on our personal commitments.

As Jessica reminds me, the desired result must be well defined before you initiate the process of building strategic tasks. Each task must support a desirable result. Corporate scorecards are a typical means of aligning tasks with results and I support the use of scorecards as a means of staying focused on the collective goals.

Corporate branding is most clearly defined as cultural attributes perceived by potential and actual customers. Branding is how others view us. In our personal lives it's known as our Legacy. In our professional lives there are countless hours spent dedicated to supporting brand consistency across all stakeholders. In

our personal lives, we would be remiss not to stay as highly focused.

Consider building a personal scorecard, begin with the end in mind, check your priorities, maintain balance in your life and live every day to its greatest potential....enjoy your journey while you achieve your dreams.



Payroll Debit Cards for Your Employees

Kelly Bailey, Business Banking Services Manager II



Commerce National Bank now offers payroll cards for your employees. The PayCard can simplify the way you distribute payroll funds while still providing your employees with the

benefit of direct deposit. The PayCard is an alternative payment option for freelance employees, seasonal employees or employees who may not have a checking account. The PayCard is a “pre-paid” Visa or MasterCard payment card designed to replace costly paper paychecks. Funds are deposited to the card each pay period in the same manner as direct deposit would be to a checking account.



PayCard can save your business time and money by eliminating the cost of paper paychecks, postage, lost check replacement and fraud. You don't need to make any changes in the way you handle payroll, simply continue utilizing your current payroll system and add PayCard employees as you would ordinary traditional direct deposit employees. You now have the ability with the PayCard program to extend the convenience of direct deposit and a meaningful benefit to all of your employees whether they are “un-banked” or traditional-banked.

If you would like additional information about the PayCard Program, please call Cash Management Representative Kelly Bailey at 513-260-0267.

The Impact of Price on Your Business

by Mark Engle, Senior Vice President, HealthCare Business Banking Group



Is price important to you? Most people answer this question overwhelmingly YES! However be careful. Is price more important than value? Is price more important than terms? Is price more

important than convenience? Is price more important than quality? Is price more important than.....well you get the point.

The price we pay for various supplies and services to run our business has a direct impact on the bottom line – profit. The flip side to that is the price we pay for various supplies and services to run our business has a direct impact on efficiency, convenience, and quality. This can be a delicate balancing act and deserves careful consideration as we manage our overhead.

As business owners we deal with this internally, but we also deal with this externally. How many of you have experienced “price shoppers?” Whether they are looking for dental work, new equipment, medical care, or banking

services, it is your responsibility to determine if these people will be a good fit for your business. If they see you simply as a commodity and fail to grasp the value of your services this becomes a difficult decision. You probably don't want to build your business with too many of these people.

Whether you are dealing with this internally or externally I would encourage you to set pricing aside initially. Since service is experienced over time this is the hardest thing to sell to a new patient, customer, or prospect.....and this becomes even harder when you start the discussion with price. Price is absolutely an important consideration but should not blur your overall perception of the products and services you need to effectively operate your business.

I learned years ago that when engaging a new client or prospect to always lead the discussion with my strongest attribute or value that I have to offer. Fortunately that has never been pricing.....and I hope the same is true for you.

Happy New Year!



Nate Johnson Joins the Healthcare Business Banking Group

Nate joined Commerce National Bank three years ago as a Business Banking Service Representative shortly after he graduated from The Ohio State University. In his second year with the company he was promoted to a position in the Credit Department, where he began learning the intricacies of commercial lending in the banking industry. At the same time he completed his M.B.A. at Capital University in Columbus and developed a particular interest in Healthcare lending. He is now the newest addition to our Healthcare Business Banking team.



Can The EU Avoid A Financial Market Meltdown?

by James E. Newton, CNB Chief Economic Advisor



In what now seems to be an on-going ritual, U.S. financial markets fluctuated throughout the past quarter based upon anticipated future economic/political developments. But as

has become more common, it is not the potential outlook for our country that has mesmerized (or even paralyzed) financial market participants, but rather that of the European Union's 27 country economic confederation, or even more specifically, the euro-zone's 17 member nations that utilize a common currency, the euro.

For better than two years this economic drama has unfolded, with Greece initially being the epicenter of the crisis that now wraps its unwanted embrace around the entire euro-zone. And to demonstrate just how rapidly the financial contagion is spreading, the ratings agency Standard & Poor's recently announced that the 15 nations which were not already under review for a possible credit-downgrade are at risk of seeing borrowing costs rise as their sovereign debt is possibly classified as more default-prone. So serious is the issue that the German government, always a bastion of financial health, recently saw an issue of its debt instruments unfilled (not enough buyers for what the government wanted to sell), with yields rising even as they remain fiscally conservative in their spending and taxation decisions.

As EU policymakers evaluate options, three basic goals are of paramount importance to bring the crisis to a successful conclusion. First and foremost, a credible method of bailing out Greece must be found. Bailout funds have been approved moving into the future, assuming holders of current Greek debt instruments are willing to take a 50 percent "voluntary" reduction in what they are owed by the Greek government. In many instances, the holders of the Greek bonds are European banks, so EU banks may find a loss of better than 100 billion euros from the solution. Even with this, the Greeks will still have a huge debt level, even as their economy continues to experience a severe recession, which further impedes their ability to repay obligations.

The not-so-voluntary "haircut" taken by Greek bondholders (mostly banks) leads to the second problem and its accompanying goal: recapitalizing EU banks. Under one proposal, banks would have to meet a new capitalization ratio of 9 percent by next June, which amounts to at least 100 billion euros in new bank capital that must be raised. Of course, with a 50 percent "voluntary" write-down in the value of Greek bonds on investors' minds, one might wonder if sufficient new capital can be raised in the private sector, and if not, where governments will find the funds. So, meeting these new capital requirements may be quite challenging.

Third, with so many financial assets needed to bail out the Greeks and other at-risk nations – including Ireland, Portugal, Spain, and Italy – where will the funds come from? Presently the European Financial Stability Facility (EFSF) has borrowing capabilities of up to 440 billion euros (based upon commitments from various EU nations), but virtually all analysts find that amount inadequate given the debt levels of various at-risk countries. So, somehow the financial firepower of this or some other fund must be expanded.

Over the past several months, a number of plans have been floated to address the concerns that euro-zone countries will be unable to meet their obligations of repaying principal and interest in a timely fashion. Within the past few months, one plan proposed to leverage the European Financial Stability Facility (EFSF) funds to help limit initial losses of buyers of questionable sovereign debt instruments. Since that time, world financial markets seem to have reacted unfavorably, with that plan now all but dead. As an alternative, the elimination of the EFSF has been suggested, with a new 500 billion euro European Stability Mechanism (ESM) replacing it, and thereby modestly expanding the bailout funds available.

Recently, euro-zone countries have come to the fateful conclusion that a "financial-only" solution to the crisis is no longer possible, or stated differently, throwing money at a problem centered around fiscal policy issues (government spending and taxes) is unlikely to be successful. So, now the entire 27 country EU is examining the



possibility of some sort of fiscal union that would force at-risk member nations to move toward a balanced budget or face potential sanctions/fines. Of the entire EU membership, only Britain indicated an unwillingness to even consider such a possibility, with all 17 euro-zone members indicating they will go-it-alone, if needs be, to forge a monetary and fiscal union largely patterned along the conservative lines proposed by Germany.

In essence, the tentative outcome – which may be many years into the future before it can be successfully implemented, if ever – would provide that each country submit their budget to the European Commission for review, and should deficits/debts be judged too large (above 3% of GDP on deficits and generally over 60% on a debt-to-GDP ratio), changes would be required as a participating member nation. Required fiscal austerity, over time, would then bring non-compliant countries into balance and allow member nations and the euro to prosper, and (hopefully) bring the European sovereign debt crisis to an end.

At the present time, no definitive timetable has been established for this plan, or the details needed to help insure its success. What has transpired of late is the economic deterioration of the EU. While statistics will not be available for some time, it seems likely to believe the EU is either at the brink of recession or actually seeing its collective GDP fall. Should this be true, the ability to implement the above sovereign debt remedy would be severely hampered. And as the EU's economic prospects dim, the same will be true of other nations as well; given that an EU economy in recession will reduce their imports and place other nations' economies at risk, including that of the U.S. And thus the fixation of our nation's financial market participants with the dire straits of EU affairs.

We're All Dressed Up and Can't Wait to See You at the 2012 Midwest Veterinary Conference!

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Dividend-paying Stocks – Not a Bad Idea

by Jim Keene, Vice President, Personal Trust Officer

If you don't have any dividend-paying stocks in your portfolio, it may be time to consider including some. After all, dividend-paying stocks provide a source of income that can grow over time. And dividends have a meaningful impact on total return, sometimes helping limit the impact of declines in share price.

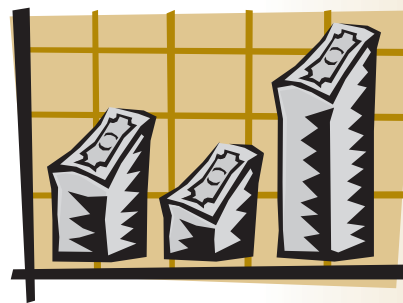
Companies are not obligated to pay dividends, and those that don't may instead choose to reinvest their earnings in their businesses. Companies that pay annual dividends often have sufficient earnings to reward their shareholders and to invest in plans for future growth.

When comparing dividend-paying stocks, investors should pay attention to dividend yield. This figure represents a company's total dividends per share over the last four quarters expressed as a percentage of its current stock price. However, the financial health of the company and its future prospects should also be examined carefully.

Dividends provide investors with a steady stream of income. Investing in companies that are likely to increase their dividend payments over the years can help a long-term investor's income keep pace with inflation. That's a particularly important consideration for retirees who no longer rely on a salary and regular pay increases.

In addition, dividends can have a substantial impact on an investment's total return — irrespective of the investment climate. When stock values are rising, dividends help boost returns. During periods when stock prices are falling, dividends can help cushion overall losses.

For federal tax purposes, dividends used to be treated as ordinary income and taxed at the investor's ordinary income-



tax rate. Now, qualified dividends are taxed at the same rates as long-term capital gains. In 2011 and 2012, the maximum rate on qualified dividends is 15% for taxpayers in a regular tax bracket

greater than 15% and 0% for taxpayers in the 10% and 15% tax brackets. The favorable dividend rates are set to expire after 2012.

Our portfolio managers recognize dividend-paying stocks as an important component to a diversified portfolio. In some cases, dividend yields of a stock portfolio can exceed those of a short-term bond portfolio. We're here to help. Please give us a call if we can provide you with assistance on your investment portfolio. Call Jim Keene at 765-962-7696 or contact your personal banker.



Well Here We Are Starting 2012

by Martin Brady, Chief Sales Officer



Hard to believe another year has come and gone. 2011 was a much better year for many businesses and we are excited for 2012. I think it is important to reflect on the year

gone by and set new resolutions for the New Year!

I like to set goals on the business and personal side of the ledger. On the personal side I hate to pick all the easy ones but I do have some low hanging fruit: Exercise more, lose weight, and more family time.

1) **Setting Goals** – Business owners know the importance of making new goals and resolutions each year. The first place I start is what is working and what is not. We tend to look at this from a personnel and an



operational standpoint. We need an honest assessment of all our departments and people. The people decisions are some of our most critical decisions. Great people add so much to our culture in terms of enthusiasm, energy and ability to help drive results. Conversely, negative people hurt our teams in ways we can't even imagine. Hire the right people and get rid of the bad eggs.

2) **Growth** – Secondly, we are all focused on growth. Make sure to try

different avenues and if something is not working move on to the next idea. Investment in our business is important but do not hold on to something that is no longer working, but develop a new route to travel.

3) **Continuous Learning** – I put this as the last one and it applies on the business and personal side of life. Maybe there is new technology that needs to be learned or maybe you are thinking of adding an advisory board. Do some exploring. It is imperative to stay fresh on the business and personal sides of our lives.

Enjoy 2012! We are excited for all that it will bring and our goals as a bank are to continue to provide the superior customer service you deserve, increase our commercial lending and to offer our outstanding client businesses new educational opportunities during 2010.



Merchant Alert! Partial Authorizations for Merchants — New Mandated Card Association Feature!

by Alicia Murphy, Business Banking Manager



Did you know that partial authorizations are now supported through Hypercom and Verifone terminals, in addition to Elan's own Virtual Merchant processing solution?

Let me explain what this new enhancement means to you the merchant! If a credit card is processed and there are insufficient funds for the issuer to approve the full amount of the transaction, merchants now have the ability to accept a "partial approval" for whatever amount is available rather than just declining the transaction. If a Partial Authorization is received at the time of the sale, it becomes **your responsibility** as the merchant to read the **prompts** on your terminal display or computer

screen to either **accept** the transaction and collect the remaining balance with another form of payment or **reverse** the Partial Authorization to cancel the entire transaction!

Here's an example-you process a transaction for \$100, but the customer only has \$75 available on their credit card so that is the dollar amount that gets approved. You have two options to choose from now instead of the transaction just being declined for insufficient funds!

*If you accept the partial authorization-Press YES at the prompt when indicated and then collect the remaining \$25 with another form of payment (cash, check, or another credit card) to complete the transaction.

*If you choose not to accept the partial authorization, then Press NO when prompted and this will cancel the transaction. The customer will again need to provide another form of payment.

While this new enhancement does provide greater flexibility when accepting payments, it is now more important than ever to retrain your staff to ensure that they are reading and following the prompts properly! This will reduce the potential for errors and ensure that your staff is aware if they need to collect additional funds to complete the customer's transaction!

Please contact Alicia Murphy at 614-583-2041 with any additional questions!






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