



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

November 14, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commerce National Bank of Florida
Charter Number 24359**

**1201 South Orlando Avenue
Winter Park, FL 32789**

**Comptroller of the Currency
North Florida Field Office (Jacksonville)
8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Commerce National Bank of Florida's (CNB) loan-to-deposit ratio and volume of lending within the assessment area are reasonable. Loans to borrowers of different incomes and to businesses of different sizes are satisfactory. The geographic distribution of loans reflects an adequate penetration of census tracts within the assessment area. The bank has not received any consumer complaints or public comments relative to CRA performance.

DESCRIPTION OF INSTITUTION

CNB is a single office community bank headquartered in Winter Park, Florida. CNB was chartered on February 2, 2003 and is wholly owned by Commerce National Bancshares of Florida, Inc. This single office is a full service facility offering drive-through banking and an automated teller machine (ATM). CNB also offers Internet banking and electronic bill payment services.

As of September 30, 2005, CNB had total assets of \$49 million. Total loans, which represent 89% of total assets, consists of 69% commercial and commercial real estate, 30% one-to-four family residential, and 1% other loans. CNB's primary lending focus is to small businesses. There are no financial, legal or other impediments to the bank's ability to meet community credit needs. The evaluation period for this review is February 2003 through September 2005.

This is CNB's first CRA evaluation since it opened for business.

DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area [AA] consists of all of Orange County. There are 193 census tracts in the AA. This information is based on the 2000 Census Bureau median family income of \$47,851 for the Orlando MSA. The total AA meets the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income census tracts.

The total population of the AA is 896,344, based on the 2000 Census. Orlando is the governmental and legal center of Orange County. The bank's AA is dominated by the tourism industry. Walt Disney World, the world's largest tourist destination, and Universal Studios, are the area's largest employers. Other major industries and employers include Orange County Public School, Adventist Health Systems and Orlando Regional Healthcare system. Tourism provides an abundance of jobs and they are generally in the service sector with low wages. Orlando's strengths are its large and profitable tourism base industries, hotels, restaurants, and its well-developed convention infrastructure. Orlando's weaknesses are the congested transportation infrastructure and relatively high-energy costs.

Small businesses (those with revenues less than \$1 million) represent 75% of all businesses in the AA. Competition for financial services is intense with large regional banks, local community banks and credit unions operating offices within the AA. There are over 290 financial institutions in the AA.

The following table highlights the demographic composition of the bank’s assessment area.

Demographic Information for Assessment Area: Orange County					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	193	7	47	87	52
Population by Geography	896,344	3	26	45	27
Owner-Occupied Housing by Geography	204,230	1	19	47	33
Small Businesses (< \$1 million in revenue) by Geography	48,181	3	24	41	32
Family Distribution by Income Level	222,495	2	24	45	28
Median Family Income		\$47,851	Median Housing Value		107,813
HUD Adjusted Median Family Income for 2005		\$55,100	Unemployment Rate (June 2005)		3.90%
Households Below Poverty Level		11.00%			

Source: 2000 US Census and 2005 Department of Housing and Urban Development (HUD) updated MFI

COMMUNITY CONTACTS – In conjunction with our examination, we contacted a local community development organization to determine available credit needs within the bank's community. The organization we contacted provides assistance to first time homebuyers and credit counseling to low- and moderate-income families. Based on information obtained through our community contact, the primary needs in the assessment area are affordable mortgage programs for low- and moderate-income families.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio – Meets the Standard for Satisfactory Performance**

The bank’s loan-to-deposit (LTD) ratio is reasonable. The bank’s average LTD ratio over the evaluation period was 70%. The quarterly ratios ranged between 34% and 97%. For comparison, we obtained the quarterly LTD ratios for a selected peer group. The peer group consisted of all new financial institutions (chartered in 2003) in Florida. The resultant peer group totaled nine banks. The average LTD ratio was 79% with a range between 65% and 93%.

- **Lending in Assessment Area – Meets the Standard for Satisfactory Performance**

The bank makes a majority of its loans within the assessment area. This conclusion is based on an analysis of all residential mortgages originated and reported on the Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) and bank prepared data since the bank opened for business. Our analysis also included all business purpose loans originated during the same period. We sampled loans from each category to validate the accuracy of the bank’s data. A breakdown by loan product is detailed below.

<u>Loan Product</u>	<u>Total Number</u>	<u>Total Dollar</u>
Residential Loans	35	\$ 9,089 million
Business Loans	173	\$58,735 million

<u>Lending in the Assessment Area</u>	<u>Residential Loans</u>		<u>Business Loans</u>	
	<u># of Loans</u>	<u>\$ Volume of Loans</u>	<u># of Loans</u>	<u>\$ Volume of Loans</u>
In the AA	63%	69%	63%	53%
Out of the AA	37%	31%	37%	47%

- **Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes – Meets the Standard for Satisfactory Performance**

CNB’s lending to borrowers of different income levels for home purchase is reasonable. Our analysis is based on our review of residential mortgage loans originated within the assessment area from the above sample. We then compared the income distribution of the bank’s borrowers to the income distribution of families within the assessment area, using *updated* HUD median family income levels. The updated 2005 median family income for the Orlando MSA is \$55,100.¹ The distribution of this lending is outlined in the table below.

<u>Income Category</u>	<u>Residential Mortgages</u>		<u>Families within the Assessment Area</u>
	<u># of Loans</u>	<u>\$ Volume of Loans</u>	
Low-Income	13.6%	5.1%	20.0%
Moderate-Income	9.2%	2.6%	18.6%
Middle-Income	22.7%	22.3%	22.1%
Upper-Income	54.5%	70.0%	39.3%

¹ As estimated by the Department of Housing and Urban Development [HUD].

While the results show a weak penetration to the low- and moderate-income families, this is mitigated by several factors. CNB is a new bank, which began offering residential mortgages just over a year ago. Also, the bank’s primary lending focus is to small businesses. Furthermore, due to the large number of financial institutions serving the AA, there are other banks located near the low- and moderate-income families that are better able to service their mortgage needs.

CNB’s lending to small businesses is reasonable. We reviewed a sample of 20 business loans from our original sample and obtained annual revenue information for these businesses. Our analysis determined that the bank makes loans to businesses of varying sizes within each assessment area, but particularly to small businesses (those with less than \$1 million in annual revenues). Seventy-five percent (75%) of the total number and seventy-seven percent (77%) of the total dollar of business loans sampled were made to small businesses. In comparison, economic data shows that 60% of all businesses in the MSA are considered small business.

CNB also makes a large portion of their business loans in smaller dollar amounts. The following chart shows a breakdown of loans according to loan size.

Loan Size	# of Loans	\$ Volume of Loans
< \$100,000	50.0%	8.5%
\$100,001 - \$250,000	10.0%	6.6%
\$250,001 - \$500,000	20.0%	24.6%
> \$500,000	20.0%	60.3%
Total	100.0%	100.0%

- **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

The geographic distribution of loans reflects a satisfactory penetration of geographies within the assessment area. For this analysis we used the same sample of residential mortgage and business loans made as indicated in the above performance category.

The results show weak penetration of owner-occupied residential mortgages in the low- and moderate-income geographies. However, this is considered reasonable because of the “newness” of the bank and intense competition of financial institutions in the AA, which limits opportunities to lend in the low- and moderate-income geographies. Furthermore, demographic data shows a high percentage of renters in the low- and moderate-income geographies, which further limits the bank’s lending opportunities.

<i>Geographic Distribution of Owner-Occupied Residential Loans</i>			
Tract Category	# of Loans	\$ Volume of Loans	OOH¹ in the AA
<i>Low-Income</i>	0%	0%	1.0%
<i>Moderate-Income</i>	5.3%	8.4%	18.7%
<i>Middle-Income</i>	52.6%	35.1%	46.8%
<i>Upper-Income</i>	42.1%	56.5%	33.4%
<i>Total</i>	100.0%	100.0%	100.0%

¹ OOH – Owner Occupied Housing

The bank’s geographic distribution of loans to businesses is more than reasonable. In the low- and moderate-income geographies, the percentage of the bank’s loan originations exceeds the level of businesses located there.

<i>Geographic Distribution of Business Loans</i>			
Tract Category	# of Loans	\$ Volume of Loans	Businesses in the AA
<i>Low-Income</i>	5.0%	15.8%	3.3%
<i>Moderate-Income</i>	30.0%	37.7%	25.6%
<i>Middle-Income</i>	45.0%	37.2%	40.4%
<i>Upper-Income</i>	20.0%	9.3%	30.7%
<i>Total</i>	100.0%	100.0%	100.0%

- **Response to Complaints**

CNB has not received complaints relative to Community Reinvestment Act performance.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We found no evidence of illegal discrimination or other illegal credit practices.