



## **PUBLIC DISCLOSURE**

August 24, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Commerce National Bank & Trust  
Charter Number 24359

1201 South Orlando Avenue, Suite 100  
Winter Park, FL 32789

Office of the Comptroller of the Currency

4042 Park Oaks Blvd  
Suite 240  
Tampa, FL 33610

**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 & Trust's (CNB&T) average loan-to-deposit ratio is more than reasonable and exceeds peer group averages.
- A majority of business lending occurs in the assessment area.
- The bank's lending activities reflect a reasonable penetration among businesses of different sizes.
- The geographic distribution of business lending reflects reasonable dispersion throughout the assessment area.

## **SCOPE OF EXAMINATION**

The bank was examined using the Community Reinvestment Act (CRA) small bank examination procedures in order to assess the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

Based on both the number and dollar amount of loan originations provided by the bank since January 1, 2012, through December 31, 2014, (evaluation period), the primary loan product was business originations, accounting for 64 (47 percent of total originations) in number and \$21 million (47 percent) in dollar volume in comparison to residential real estate lending originations for the same time period of 34 (25 percent) in number and \$15 million (35 percent) in dollar volume. The remaining loan originations consisted of consumer, i.e., auto, home equity lines of credit. As such, our evaluation of the bank's lending performance will reflect only one loan product, business loans, as this was more representative of the bank's lending strategy during the evaluation period. Our conclusions are based on an analysis of a random sample of business loans originated during the evaluation period.

### **Data Integrity**

A data integrity review was conducted by the OCC in May 2015. The review verified the accuracy and reliability of data reported by the bank for HMDA loans and community development loans. The data was reviewed for years 2012, 2013, and 2014. It was determined that the bank's processes and controls for the collection and reporting of loan data and community development activities are satisfactory. Therefore, this CRA evaluation is based on reliable data.

## DESCRIPTION OF INSTITUTION

CNB&T is an intrastate bank with \$77 million in total assets, wholly-owned by Commerce National Bancshares of Florida, Inc., which is a one-bank holding company headquartered in Winter Park, Florida. The bank was established on February 3, 2003, under the name of Commercial National Bank. On January 1, 2006, the bank received trust powers and changed its name accordingly. CNB&T has only one office, which is located in Winter Park, FL.

CNB&T offers many services to its customers including: check card services, free 24-hour internet, bill paying, and telephone banking. The office has an automated teller machine (ATM) and a drive-up facility. Customers are not charged for ATM transactions conducted at the bank's office. Customers are also not charged for ATM cash withdrawals conducted at any Publix Presto ATM locations. Otherwise, the bank charges a one dollar fee for using any other ATM as well any other fees charged by the proprietary bank.

CNB&T provides low-to-no cost checking accounts to consumers and businesses. For example, the bank offers a personal checking account to those customers age 55 and over with a \$100 minimum balance requirement to open and no monthly maintenance fees. The bank also offers a similar product to anyone with ACH direct deposits and to employees who work for businesses that have accounts with the bank. Additionally, the bank offers a business checking account with a \$10 monthly maintenance fee (waived when a \$500 minimum daily balance or \$1,000 average collected balance is maintained) and the first 200 transactions items (debits and credits combined) are free. These products are considered responsive to the banking needs of low-and moderate-income individuals and to small businesses.

CNB&T offers a variety of lending programs, but generally its primary focus has been in business lending. As noted in the table below, commercial and commercial real estate loans represent 59 percent or \$37 million of total loans, while residential and consumer loans represent 41 percent or \$25.4 million.

<b>Composition of the Loan Portfolio as of 6/30/2015</b>		
<b>Loan Type</b>	<b>Dollar Amount (000)</b>	<b>Percentage (%)</b>
<b>Consumer</b>	\$392	.63%
<b>Commercial</b>	\$3,276	5.24%
<b>Residential RE</b>	\$25,034	40.08%
<b>Commercial RE</b>	\$33,763	54.05%

As of June 30, 2015, the bank had total assets of \$77 million with net loans comprising 78 percent of total assets, or \$59.8 million. There are no financial or legal impediments that would prevent the bank from meeting the credit needs of the community it serves. The last CRA evaluation was performed July 19, 2010. The bank received a "Satisfactory" rating.

## DESCRIPTION OF ASSESSMENT AREA

### Description of the Orange County Assessment Area

The assessment area (AA) targets mainly Orange County, which is located in the Orlando-Kissimmee-Sanford, Florida, Metropolitan Statistical Area (MSA) #36740. The MSA is also known as “Metro Orlando” as Orlando is the hub city of the MSA. The AA consists of 103 census tracts located in the central section of Orange County and includes the cities of Maitland and Winter Park. Other “census-designated places “ or incorporated towns in the AA include: Lockhart; Eatonville; Goldenrod; Azalea Park; Conway; College Park; Edgewood; Oak Ridge; and Pine Hills. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 441,198. Approximately 11 percent of the population is over 65 years of age and about 15 percent of households live below the poverty level. Housing units in the AA total 208,834. Housing units classified as 1-4 family units represent 121,751, or 58 percent, while multifamily housing represents 82,227, or 39 percent. Owner-occupied units represent 84,579, or 40 percent, while rental housing represents 91,599, or approximately 44 percent of total housing units in the AA. Approximately 15.64 percent, or 32,656 housing units are vacant. Additionally, there are 63,803 non-farm businesses located throughout the AA, which includes 17,016 businesses that did not report annual revenues. Small businesses comprise approximately 69.37 percent, or 44,262, of the total non-farm businesses within the AA.

The AA is best known for its tourist industry. However, there are other industries in the AA that make up a somewhat diversified economy. The AA is known for its high-technology industry and many corporate headquarters to well-known national and international companies are located throughout the AA. Orlando is consistently ranked as one of the top vacation destinations in the world. The top employer in Orlando is Walt Disney World with over 69,000 employees. Other top employers in the AA are connected to tourism. Top industries include the state and local government as well as full-service restaurants.

Winter Park is located just north of Orlando in Orange County, FL. The city is known for its abundant parks, brick-lined streets, museums, lakes, and shops along Park Avenue. Rollins College, the oldest college in Florida and a premier liberal arts college, was founded in Winter Park in 1885. The city is also well-known for its Winter Park Sidewalk Art Festival, which draws over 250,000 visitors each year to Central Park. Due to its close proximity of Orlando, Winter Park is a city that many commuters traverse to access downtown Orlando.

Specific 2014 demographic and economic data for the assessment area are detailed below.

<b>Demographic and Economic Characteristics of the AA:</b>			
<b>Population</b>		<b>Geographies</b>	
Total Persons	441,198	Number of Census Tracts	103
Number of Households	176,178	% Low-Income Census Tracts (3)	2.91%
<b>Median Family Income (MFI)</b>	<b>\$58,474</b>	% Moderate-Income Census Tracts (47)	45.63%
<i>Based on MFI</i>		% Middle-Income Census Tracts (26)	25.24%
Low-Income individuals earn	<\$29,236	% Upper-Income Census Tracts (27)	26.21%
Moderate-Income individuals earn	\$29,237-\$46,778		
<b>Income Distribution</b>		<b>Businesses (Non-Farm)</b>	
Number of Families	98,626	Number of Businesses located in the AA	64,799
<b>Families residing in the AA by income category</b>		% of Small Businesses located in the AA	69.79%
% Low-Income Families	26.62%	% of Large Businesses	3.93%
% Moderate-Income Families	21.84%	% of Business with no revenues reported	26.28%
% Middle-Income Families	18.60%	% of Biz in Low-Income Census Tracts	.59%
% Upper-Income Families	32.94%	% of Biz in Moderate-Income Census Tracts	40.95%
		% of Biz in Middle-Income Census Tracts	25.94%
		% of Biz in Upper-Income Census Tracts	32.51%
<i>Source: 2010 Census</i>			

The economy in Orlando-Kissimmee-Sanford continues to recover. The unemployment rate, which is 5.2 percent, has been sliced in half over the last four years, but has more room for improvement; before the Great Recession, the average unemployment rate was just 4 percent. Businesses in Orlando are taking advantage of its central location within 100 miles of 7 million residents; in the last year, they have added a record number of high-paying jobs in wholesale trade. The metro area has also enjoyed above average professional and IT growth, but wages are stagnant over the last year. According to the U.S. Department of Labor, Bureau of Labor Statistics July 2015 report, the unemployment rate (not seasonally adjusted) for Orange County was 5.2 percent, which is lower than the average for the state's unemployment rate of 5.7 percent and is near the 5.3 percent national rate. Further, the current rate is lower than the AA's July 2014 unemployment rate of 6.3 percent, but slightly higher than last month's rate of 5.0 percent.

The housing market in Orlando is sending mixed signals but growth is in the forecast. According to the Florida Association of Realtors, home sales in June increased 28 percent year over year, which is 8 percentage points faster than the statewide rate. Housing permits also indicate a sustained recovery. Issuance of permits for single-family homes has exceeded 10,000 at an annual rate in each of the last five months, the longest streak since 2007. However, house price increases are decelerating. According to RealtyTrac, the estimated median housing value as of June 2015 for Winter Park was \$190,000, which represents a 4 percent decline from the same period last year. The estimated median housing value as of June 2015 for Orlando was \$161,000, a 1 percent increase from the same period last year. Growth is expected to speed up because in-migration is strong and the metro area's house prices remain far short of the mark set prior to the market downturn.

Competition for financial services within the bank's AA is intense. According to the FDIC deposit market share data as of June 30, 2014, there were a combined 45 financial institutions operating in 584 offices within Orlando and Winter Park. Major competitors include: SunTrust Bank, Bank of America, N.A., and Wells Fargo Bank, N.A.

Our office recently met with a locally-based community organization to gain a better understanding of the most pressing credit needs within the bank's AA. The organization focuses on small businesses and specializes in providing loans to black, minority, and underserved small businesses. The community credit needs identified by the organization for the AA include loans to small businesses for general operations such as working capital lines of credit, accounts receivable, and equipment. There is also a need for financial education and technical assistance for small business owners. Opportunities for financial institutions include funding state expansion plans through equity investments, loans, or grants and real estate financing for small owner occupied businesses, construction financing, or small affordable rental housing projects. There are also opportunities for financial institutions to participate in loan pools; including pools for non-SBA qualified borrowers.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending Test

- **Loan-to-Deposit Ratio - Outstanding**

CNB&T's average loan-to-deposit (LTD) ratio is more than reasonable and exceeds peer group averages. The average LTD was calculated and averaged for each quarter since June 2010 through March 2015. The peer group used for this analysis consists of banks with total assets below \$271 million located in Winter Park and Orlando (Orange County). CNB&T's average LTD ratio for the past 20 quarters was 91.15 percent, which exceeds the three peer banks' average LTD ratio of 72.60 percent for the same time period.

- **Lending in Assessment Area – Satisfactory**

A majority of business loans originated by CNB&T over the evaluation period were within its AA. This conclusion is based on an analysis of a random sample of 20 business loans for 2012 through 2014. As detailed in the table below, approximately 65 percent by number and 69 percent by dollar amount of sampled loans were within CNB&T's assessment area.

Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	13	65.00%	7	35.00%	20	\$8,166	69.07%	\$3,657	30.93%	\$11,824

Source: Loan sample for business loans for the time period of January 1, 2012 through December 31, 2014.

- **Lending to Businesses of Different Sizes - Satisfactory**

CNB&T's lending activities show reasonable penetration among businesses of different sizes given its performance context. Our sample as noted above consists of 20 business loans made in the assessment area during the evaluation period. The bank's level of lending to businesses with revenues less than \$1 million dollars is comparable to the business distribution within the AA. As reflected in the following chart, lending to small businesses accounted for almost 69 percent of the bank's business lending by dollar volume, based on a representative sample. In comparison, 69 percent of businesses in the assessment area that reported revenues are small businesses. The percentage of loans to small businesses is reasonable relative to the percent of such businesses operating in the AA.

The following charts depict a breakdown of loans according to business and loan size.

<b>Borrower Distribution to Businesses in the Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Revenue Unavailable	Total
% of AA Non-farm Businesses	69.37%	3.96%	26.67%	100.00%
% of Bank Loans in AA by #	55.00%	45.00%	0.00%	100.00%
% of Bank Loans in AA by \$	68.84%	31.16%	0.00%	100.00%

Source: Loan sample for business loans for the time period of January 1, 2012 through December 31, 2014.

As shown in the chart below, a majority of the loans originated in the AA had original amounts of \$500 thousand or less, an indicator the bank is meeting the needs of smaller businesses.

<b>Borrower Distribution of Loans to Businesses in the Assessment Area</b>				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollars
\$0 - \$100,000	4	20.00%	303,295	3.71%
\$100,001 - \$250,000	6	30.00%	1,035,000	12.67%
\$250,001 - \$500,000	6	30.00%	2,540,000	31.10%
\$500,001 - \$1,000,000	1	5.00%	960,000	11.76%
\$1,000,001 - \$10,000,000	3	15.00%	3,328,116	40.75%
Total	20	100.00%	8,166,411	100.00%

Source: Loan sample for business loans for the time period of January 1, 2010 through December 31, 2014.

- **Geographic Distribution of Loans – Satisfactory**

The geographic distribution of business lending reflects a reasonable dispersion throughout the AA. We based our analysis on the same sample of 20 business loans originated in the AA during the evaluation period. The table below reflects the distribution of loans by income designation of census tract.

<b>Geographic Distribution of Business Loans in the Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.59%	0.00%	40.95%	50.00%	25.95%	30.00%	32.51%	20.00%

Source: Loan sample for business loans for the period of January 1, 2012 through December 31, 2014.

While the bank did not make any loans to businesses located in low-income census tracts, less than one percent of businesses in the AA are located in low-income census tracts.

The geographic distribution of loans to businesses located in moderate-income census tracts exceeds the percentage of businesses located in these tracts. The lending analysis showed the bank extended 50 percent of its business loans to businesses located in moderate-income tracts. By comparison, just fewer than 41 percent of all businesses in the AA are located in moderate-income tracts. Lending to middle-and upper-income census tracts also shows a reasonable pattern of distribution.

- **Responses to Complaints**

There were no CRA related complaints received by the bank or our office during the period of review.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.