



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 19, 2010

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

North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, Florida 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 & Trust's 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 reflects 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, 2008 through June 30, 2010 (evaluation period), the primary loan product was business originations, accounting for 84 (58% of total) in number and \$31 million (62%) in dollar volume in comparison to residential real estate lending originations for the same time period of 25 (17%) in number and \$11 million (22%) 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 its lending strategy during the evaluation period. Our conclusions were based on an analysis of a random sample of business loans originated during the evaluation period.

DESCRIPTION OF INSTITUTION

Commerce National Bank & Trust (CNB&T) is an intrastate bank wholly-owned by Commerce National Bancshares of Florida, Inc., which is a \$111 million in total assets, 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 also 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 with 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 on the next page, commercial and commercial real estate loans represent 64% or \$55.5 million of total loans, while residential and consumer loans represent 36% or \$31.3 million.

Composition of the Loan Portfolio as of 3/31/10		
Loan Type	Dollar Amount (000)	Percentage (%)
Consumer	\$13,666	15.75%
Commercial	\$3,026	3.49%
Residential RE	\$17,625	20.32%
Commercial RE	\$52,428	60.44%

As of March 31, 2010, the bank had total assets of \$108 million with net loans comprising 80% of total assets, or \$86.8 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 in November, 2005. 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 91 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 2000 U.S. Census Bureau economic data, the AA has a total population of 361,445. Approximately 12% of the population is over 65 years of age and about 13% of households live below the poverty level. Housing units in the AA total 158,258 with 105,375 or 67%, classified as 1-4 family units of which 45% are owner-occupied. Multifamily housing represents 50,824 or 32%, and rental housing represents 73,644 or approximately 47% of total housing units in the AA. Approximately 7% or 10,668 housing units are vacant. Additionally, there are 73,949 non-farm businesses located throughout the AA which includes 17,644 businesses that did not report annual revenues. Small businesses comprise approximately 72.40%, or 53,536 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 60,000 employees. Other top employers in the AA are generally connected to tourism. Top industries include the state and local government as well as full-service restaurants.

Winter Park is known for its art galleries, museums and private liberal arts college. The city is also well-known for its Winter Park Sidewalk Art Festival, which is one of the nation's oldest and largest outdoor art festivals. Each year, more than 350,000 visitors and 1,200 artists attend the annual event which consistently ranks as one of the top rated art shows by *Sunshine Artist* and *American Style* magazines. Due to its close proximity of Orlando, Winter Park is a city in which many commuters traverse to access downtown Orlando.

Specific 2000, 2009 and 2010 demographic and economic data for the assessment area are detailed below.

Demographic and Economic Characteristics of the AA:			
Population		Geographies	
Total Persons	361,445	Number of Census Tracts	91
Number of Households	145,573	% Low-Income Census Tracts (6)	6.59%
Median Family Income (MFI)	\$60,900	% Moderate-Income Census Tracts (27)	29.67%
<i>Based on MFI</i>		% Middle-Income Census Tracts (35)	38.46%
Low-Income individuals earn	<\$30,450	% Upper-Income Census Tracts (23)	25.28%
Moderate-Income individuals earn	\$30,450- \$48,720		
Income Distribution		Businesses (Non-Farm)	
Number of Families	85,324	Number of Businesses located in the AA	73,949
Families residing in the AA by income category		% of Small Businesses located in the AA	72.40%
% Low-Income Families	24.95%	% of Large Businesses	3.74%
% Moderate-Income Families	19.99%	% of Business with no revenues reported	23.86%
% Middle-Income Families	20.94%	% of Biz in Low-Income Census Tracts	3.94%
% Upper-Income Families	34.12%	% of Biz in Moderate-Income Census Tracts	33.14%
		% of Biz in Middle-Income Census Tracts	39.53%
		% of Biz in Upper-Income Census Tracts	23.39%
<i>Source: 2000 Census, 2010 HUD updated income data and 2009 Dunn and Bradstreet data</i>			

As with most metropolitan areas located in Florida, the economy in the AA has been significantly impacted by the current national and local recession. CNB&T's ability and opportunity to lend, especially to low- and moderate-income borrowers as well as to small businesses, has been impacted by the downturn in the economy. The entire state, and in particular Orange County, Orlando has experienced significant job losses, a volatile housing market and a record number of delinquencies, foreclosures and bankruptcies. For the first six months of 2010, unemployment rates and home

foreclosures remain high and home prices continue to decline prolonging the transition from recession to recovery. According to the U.S. Department of Labor, Bureau of Labor Statistics June 2010 report, the unemployment rate (not seasonally adjusted) for Orange County was 11.4%, which is near the average for the state's unemployment rate of 11.6% and much higher than the 9.6% national rate. Further, the current rate is higher than the AA's June 2009 unemployment rate of 10.7%, and slightly higher than last month's rate of 11.0%.

The AA has experienced a volatile housing market in the past several years as home values quickly escalated in a short time period and are now rapidly declining. The local economy has been struggling with a severe housing correction as median home prices have nearly been cut in half since peaking in early 2007. As of June 2010, Orange County is reporting the 3rd highest foreclosure rates in the state and a troubled housing market will continue to be the largest impediment to the AA's recovery. According to RealtyTrac, the estimated median housing value as of June 2010 for Winter Park was \$144,078, which represents a 16.26% decline from the same period last year. The estimated median housing value as of June 2010 for Orlando was \$111,789, a 23.24% decline from the same period last year. The construction of a high-speed passenger rail between Orlando and Tampa as well as a 61-mile commuter rail in the Orlando-Kissimmee-Sanford MSA is expected to provide some economic relief in the near future.

Competition for financial services within the bank's AA is intense. According to the FDIC deposit market share data as of June 30, 2009, there were a combined 36 financial institutions operating in 244 offices within Orlando and Winter Park. Major competitors include: SunTrust Bank, Bank of America, N.A., and Wachovia 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 primary community credit need in communities located within the AA include financing for affordable housing, or more specifically, for 1-4 single family and multi-family unit projects. Non-profit organizations that receive funding for affordable housing programs have had set-backs or funds have been delayed due to economic and other factors. Expectations are that the conditions will remain the same throughout the year. However, there are a number of opportunities for financial institutions such as providing loans to businesses to fund projects directed toward improving affordable housing opportunities in the AA as well as providing volunteer time to assist in home and employment counseling.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

- **Loan-to-Deposit Ratio - Exceeds the Standard for Satisfactory Performance**

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 November 2005 through March 31, 2010. The peer group used for this analysis consists of banks with total assets below \$320 million located in Winter Park and Orlando (Orange County). CNB&T's average LTD ratio for the past 18 quarters was 92.55% which exceeds the three peer banks' average LTD ratio of 81.19% for the same time period.

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

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 60 business loans for the period of January 1, 2008 through June 31, 2010. As detailed in the table below, approximately 65% by number and 64% 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	39	65.00%	21	35.00%	60	\$13,751	64.37%	\$7,610	35.63%	\$21,361

Source: Loan sample for business loans for the time period of January 1, 2008 through June 30, 2010.

- **Lending to Businesses of Different Sizes - Meets the Standard for Satisfactory Performance**

CNB&T's lending activities show reasonable penetration among businesses of different sizes given its performance context. Our sample as noted above was based on the 39 business loans made in the assessment area during the evaluation period. While the bank's level of lending to businesses with revenues less than \$1 million dollars is slightly lower than the business distribution within the AA.

This is considered reasonable given the local economic conditions and the resulting limited lending opportunities within the AA. Additionally, as reflected in the following chart, lending to small businesses accounted for more than 50% of the bank's business lending based on a representative sample.

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

Borrower Distribution to Businesses in the Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Revenue Unavailable	Total
% of AA Non-farm Businesses	72.40%	3.74%	23.86%	100.00%
% of Bank Loans in AA by #	53.85%	41.03%	5.12%	100.00%
% of Bank Loans in AA by \$	74.85%	24.75%	0.40%	100.00%

Source: Loan sample for business loans for the time period of January 1, 2008 through June 30, 2010, and 2009 Dunn and Bradstreet data

Borrower Distribution of Loans to Businesses in the Assessment Area				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollars
\$0-\$100,000	14	35.90%	715	5.20%
\$100,001-\$250,000	11	28.21%	\$1,603	11.66%
\$250,001-\$500,000	5	12.82%	\$1,869	13.59%
\$500,001-\$1,000,000	5	12.82%	\$3,340	24.29%
\$1,000,001-\$2,500,000	4	10.25%	\$6,224	45.26%
Total	39	100.00%	\$13,751M	100.00%

Source: Loan sample for business loans for the time period of January 1, 2008 through June 30, 2010.

As depicted in the tables above, the percentage of loans to small businesses is reasonable relative to the percent of such businesses operating in the AA. Based on our sample, CNB&T originated approximately 54% of total number of loans and 75% of total dollar volume of loans to small businesses (those with total revenues of \$1 million or less).

In comparison, businesses in the assessment area that reported revenues, 72.40% or 53,536 are considered small businesses. Additionally, as shown in the chart above, a substantial majority of the loans originated in the AA had original amounts of \$500 thousand or less. During the evaluation period, CNB&T originated 30 loans, or 77% of all AA business loans sampled originated with dollar amounts of \$500 thousand or less, an indicator the bank is meeting the needs of smaller businesses.

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

The geographic distribution of business lending reflects a reasonable dispersion throughout the AA. Our analysis was based on the same sample of 39 business loans originated in the AA during the evaluation period. The table on the following page reflects the distribution of sampled loans by income designation of census tract.

Geographic Distribution of Business Loans in the Assessment Area								
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	3.94%	15.38%	33.14%	30.77%	39.53%	28.21%	23.39%	25.64%

Source: Loan sample for business loans for the time period of January 1, 2008 through June 30, 2010, and 2009 Dunn and Bradstreet data

As shown in the table above, the geographic distribution of loans to businesses located in low-and moderate-income census tracts exceeds or is near the percentage of businesses located in these tracts. The lending analysis showed the bank extended 15.38% of its business loans to businesses located in low-income tracts.

By comparison, 3.94% of all businesses in the AA are located in low-income tracts. Additionally, the bank extended over 30% of its businesses loans to businesses located in moderate-income census tracts. By comparison, moderate-income census tracts account for approximately 33.14% of all businesses in the AA. 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.