



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 22, 2008**

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

Southern Commerce Bank, National Association  
Charter Number 24665

5650 Breckenridge Park Drive, Suite 110  
Tampa, Florida 33610

Office of the Comptroller of the Currency

Kansas City South Field Office  
7101 College Boulevard, Suite 1600  
Overland Park, Kansas 66210

**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.**

We based the CRA rating for Southern Commerce Bank, N.A. (SCB) on the following primary factors:

- SCB's lending activities show satisfactory penetration among businesses of different sizes.
- The geographic distribution of lending in the assessment areas is satisfactory.
- A majority of business lending occurs in the bank's assessment areas.
- The loan-to-deposit ratio reflects satisfactory performance given the bank's size, financial condition, and competition. SCB's average ratio was comparable to other institutions in our review.
- The bank has received no consumer complaints concerning its performance in meeting the community's credit needs.

## **SCOPE OF EXAMINATION**

Examiners evaluated SCB using the Small Bank examination procedures, and included a review of community development activities based on management's request. Our objectives were to assess the bank's ability and record to serve and meet the community's needs within its assessment areas. The lending test covers the bank's performance from the date Dickinson Financial Corporation (DFC) acquired the bank on July 7, 2006 through August 31, 2008. We based our analyses and conclusions on bank-provided data, which we verified during our review. We identified the bank's primary products as commercial and industrial business loans by the dollar amount and number of loans originated during the evaluation period. The bank has minimal residential mortgage loan activity subject to filing under HMDA.

## **DESCRIPTION OF INSTITUTION**

SCB is an intrastate community bank headquartered in Tampa, Florida. DFC, a \$6 billion multi-bank holding company based in Kansas City, Missouri, is the sole owner of the bank. In addition to the main banking facility, SCB has ten branch locations with ATMs. Competition from other financial institutions is strong.

SCB is a full service bank that provides for the banking needs of Tampa and surrounding communities. The corporate focus has been on commercial and small business lending. In 2008, management initiated a branch expansion plan to build the retail side of the bank. In addition to the main office, the bank has traditional "brick and mortar" locations in Seminole, Clearwater, and Bradenton, Florida. The bank also has "in-store" Wal-Mart locations in Daytona Beach, Punta Gorda, Port St. Lucie, Fort Pierce, Coconut Creek, Jacksonville, and Gainesville.

The in-store branches are not for loan solicitation, although these branches may generate some small retail loan volume. These locations appeal to customers who shop or work at Wal-Mart. Many of these customers are low- and moderate-income individuals who represent an underserved market.

The bank offers a variety of deposit and loan products for businesses and individuals, as described in the CRA Public File. However, prior to the recent expansion initiatives, the bank's primary lending strategy was to originate business loans, which comprises 73 percent of the bank's loan portfolio.

As of June 30, 2008, the bank had total assets of \$214 million and total deposits of \$145 million. Total loans, at 80 percent of total assets, consisted of 38 percent commercial and industrial loans, 35 percent commercial real estate loans, 15 percent construction loans, 6 percent residential real estate loans, and 6 percent other loans.

There are no legal, financial, or other factors to impede the bank's ability to meet the credit needs in its assessment areas. The bank received a Satisfactory rating at its last CRA examination dated June 2, 2003. Please refer to the bank's Public File for more details.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

SCB's assessment areas (AAs) meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. Of SCB's eight AAs, only two AAs (Tampa and Bradenton) have locations that have been open for more than a year. For purposes of this examination, we did not review the bank's performance in the other six AAs due to the limited time these facilities have been in operation.

### **Tampa Assessment Area**

The Tampa, Seminole, and Clearwater AA is comprised of the Hillsborough-Pinnellas MSA. This is the bank's larger AA with a population of over 1.9 million, 907 thousand housing units, 807 thousand households, and 235 thousand business units. This AA has 16 low-income, 99 moderate-income, 209 middle-income, and 133 upper-income tracts. The AA contains the main office and two branches. The main office and Seminole branch are located in middle-income tracts. The Clearwater branch is located in a high-income tract.

SCB faces strong competition from other financial institutions in this AA. Sixty-nine institutions with 810 offices hold deposits ranging from \$2 million to \$10 billion. Additional competition comes from credit unions, financial advisors, and internet-banking organizations that are not included in the FDIC Market Share report. Currently, SCB holds 0.23 percent of the AA's market share.

In assessing the bank's performance, we contacted one local housing organization to identify credit needs within the community. The contact said funding for affordable housing remains a primary need in the AA. In addition, the contact said financial institutions provide satisfactory support of the organization's efforts by participating in first time homebuyer and credit counseling/literacy programs.

Bioscience industry, manufacturing, technology, and international trade through Florida's largest deep-water port anchors Tampa's economic base. Five major cruise lines sail out of the Port of Tampa. The largest employers include Verizon, MacDill Air Force Base, University of South Florida, local hospitals, and financial service providers. The Tampa economy continues to decline, and projections are that the unemployment rate may peak at 6.2 percent in 2009 from the current 5.4 percent. Recovery may begin in 2010.

## **Bradenton Assessment Area**

Bradenton is located on the western Florida coast between Tampa and Sarasota. This is a smaller AA with a population of 264 thousand, 138 thousand housing units, 112 thousand households, and 32 thousand business units. The AA consists of no low-income, 15 moderate-income, 31 middle-income, and 14 upper-income tracts. The Bradenton AA is comprised of Manatee County, which is half of the Manatee MSA. The branch is located in a middle-income tract.

SCB faces strong competition with 49 financial institutions having 321 offices located in Manatee County. Deposits range from \$2 million to \$3 billion. Additional competition comes from credit unions, financial advisors, and internet banks that are not included in the FDIC Market Share Report. Currently, SCB holds 0.05 percent of this AA's market share.

Major employment sectors include the service sector (business, professional, scientific, and tech), retail trade, construction, health care, and manufacturing. Major employers include Tropicana Products, Champs Sports Apparel, Bealls, and the local colleges. The Bradenton Chamber of Commerce projects an economic recovery will begin in late 2009 or early 2010. The downturn in the housing market has significantly impacted the Bradenton economy. Recent media reports project a 24.8 percent loss in median home values by the third quarter of 2008. The unemployment rate for Bradenton-Sarasota-Venice MSA was 7.3 percent.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

SCB's loan-to-deposit ratio reflects good responsiveness towards meeting the credit needs of its AA. Since July 7, 2006, the bank's loan-to-deposit ratio averaged 87.72 percent over the past eight quarters. This is comparable with the 96.91 percent quarterly average for eight similarly situated banks in the AA. These eight similarly situated banks had average ratios that ranged from 87.69 percent to 126.61 percent.

### **Lending in Assessment Area**

The bank's record for lending to borrowers within its AAs is satisfactory. SCB originates a substantial majority of its loans within the bank's AAs. Results of our random sample show 80 percent by number and 59 percent by dollar of the loans were in the Tampa AA and 75 percent by number and 88 percent by dollar were in the Bradenton AA.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Our analysis for SCB's performance gave more weight to the Tampa AA given its population size, number of business units, and the number and location of bank facilities.

SCB's level of lending to businesses of different sizes is satisfactory. The distribution of loans reflects a reasonable penetration among businesses of different sizes, given the bank's product offerings and local economic conditions. To assess the bank's performance, examiners selected a sample of 20 commercial loans from each AA.

Tampa AA: The volume of lending to businesses of different sizes in the AA is satisfactory. From our commercial loan sample, we found 45 percent of the number and 20 percent of the dollar amount of loans granted in the AA to businesses with revenues less than \$1 million. Demographics indicate 64 percent of the businesses in the AA have gross annual revenues less than \$1 million. This performance is reasonable considering this AA is a highly competitive market based on the size and number of financial competitors.

Bradenton AA: The volume of lending to businesses of different sizes in the AA is acceptable. From our commercial loan sample, we found 19 percent of the number and 36 percent of the dollar amount of loans granted in the AA to businesses with revenues less than \$1 million. Demographics indicate that 64 percent of the businesses in the AA have gross annual revenues less than \$1 million. This performance is mitigated when considering the bank's market and the number of business units in the AA.

## Geographic Distribution of Loans

The geographic distribution of SCB's lending to businesses in the AAs is satisfactory. The distribution of loans reflects strong performance in moderate-income geographies, given the local economic conditions, depth of financial competition, limited activity in low-income census tracts, and the number tracts designated as low-income. There were no loans in our sample to businesses in a low-income census tract. However, the number of opportunities is limited since only 3.5 percent of census tracts in the Tampa AA are designated as low-income. There are no low-income tracts in the Bradenton AA.

The following tables illustrate the bank's geographic distribution of commercial loans compared to the demographic data of each AA.

Table 3A - Geographic Distribution of Loans to Businesses in Tampa AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	2.06%	0	20.88%	41%	42.67%	49%	34.39%	10%

Source: Bank's loan sample and 2008 Business Geodemographic Data

Table 3A - Geographic Distribution of Loans to Businesses in Bradenton AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0	0	21.32%	20%	53.35%	67%	25.34%	13%

Source: Bank's loan sample and 2008 Business Geodemographic Data

## Responses to Complaints

We reviewed records of consumer complaints made to our agency and those maintained by the bank in its public file. SCB did not receive any complaints about its performance in helping to meet the credit needs in the AA during the evaluation period. No further follow up or response is necessary.

## **Other Information - Investments and Services**

The bank participates in the Neighborhood Lending Partners (NLP) program. NLP is a nonprofit mortgage-banking corporation created by the Tampa Bay financial institutions to facilitate private investment and improve opportunities for community growth and revitalization. NLP offers flexible financing for affordable housing and community development to lessen the burden of governmental jurisdiction by working with public and private dollars. Member banks fund NLP, and participate in loans made by consortium according to the members' asset size. Since July 2006, the bank has funded two of these loans, totaling \$20,000.

The bank invested \$500,000 in Ginnie Mae II Pool of the CRA Qualified Investment Fund. There are four loans allocated to the Jacksonville and Tampa markets for affordable housing.

In addition to the wide variety of loan and deposit products offered at its eleven branches, the bank offers a "Second Chance" Checking Account. This product, promoted exclusively through the in-store branches, is a free checking account offered to customers who have adverse records in ChexSystems on previous accounts. The bank has opened 1,650 of these accounts.

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

Compliance with fair lending laws and regulations is satisfactory, as we found no evidence of discriminatory or other credit practices inconsistent with helping to meet community credit needs. We also did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations from our Fair Lending examination of the bank in July 2008.