



## **INTERMEDIATE SMALL BANK**

---

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

---

### **PUBLIC DISCLOSURE**

**August 27, 2007**

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

**Community Bank of Naples, National Association  
Charter Number 23777**

**5150 North Tamiami Trail  
Naples, FL 34103**

**Comptroller of the Currency  
South Florida (Miami)  
9800 Northwest 41st Street Suite 120  
Miami, FL 33178**

**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”.**

The Lending Test is rated: **“Satisfactory”**.

The Community Development Test is rated: **“Satisfactory”**.

The major factors that support this rating include:

- Since the last examination, the bank’s average quarterly loan-to-deposit ratio of 109 percent is more than satisfactory.
- A substantial majority of loan originations are within the bank’s assessment area, exceeding the standard for satisfactory.
- The distribution of loans among businesses of different sizes meets the standard for satisfactory considering the number of small businesses in the assessment area.
- The geographic distribution of loans reflects satisfactory distribution throughout the assessment area, given the level of businesses located in low- and moderate-income geographies.
- The overall level and responsiveness of community development lending, investments and services is satisfactory.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank’s performance under the Lending and Community Development Tests. The evaluation period ranges from January 7, 2002, the date of the bank’s last CRA examination, to August 27, 2007. However, the Lending Test concentrated on activity from January 1, 2005 to June 30, 2007. In evaluating the bank’s lending performance, we reviewed businesses loans, the bank’s primary business line. In evaluating community development, we reviewed community development loans, investments and services.

This evaluation is based on accurate data. The bank’s internal testing of business loan data was considered sufficient to verify that accurate data was being used at this examination. Community development loans, investments and services submitted by management were verified to ensure that they met the regulatory definition for community development. Some items submitted for consideration were excluded from this evaluation because they did not meet the definition or purpose of community development.

Community credit needs in the assessment area were determined by reviewing Public Evaluations of other banks operating in the same assessment area and by conducting a community contact meeting. For this examination, we conducted a community contact with a non-profit community organization operating in Collier County whose mission is to provide

supportive services to low- and moderate-income youth. We also reviewed Consolidated Plans submitted to the Department of Housing and Urban Development (HUD), as well as plans for identified Community Redevelopment Areas (CRA) in Collier County.

Critical identified credit needs are financing for the development and construction of housing that is affordable to very low-, low-, and moderate-income persons and families and financing for businesses in order to expand economic development and job opportunities in the assessment area. Also, there is a stated need for social services to assist low- and moderate-income persons and families, particularly the homeless population. This assistance includes job training, financial literacy training, and after school programs.

The bank has three assessment areas. One, the Naples assessment area, includes all of Collier County and is equivalent to Metropolitan Statistical Area (MSA) 34940 (Naples-Marco Island, FL). The second is the Fort Myers assessment area which is equivalent to MSA 15980 (Cape Coral-Fort Myers, FL) and adjacent to the Naples assessment area. The third assessment area includes Sarasota County, which is part of MSA 42260 (Sarasota-Bradenton-Venice, FL). For analytical purposes, the Naples assessment area was chosen for a full-scope review. It was chosen for a full-scope review because it represents 82 percent of the bank's deposits (as of June 30, 2006) and 82 percent of the business loans analyzed at this examination. A limited-scope review was conducted on the Fort Myers assessment area (MSA 15980). No review was conducted for the Sarasota assessment area as the bank opened its first office there in November 2006 and has not had sufficient time to establish its business. The bank's overall rating is based primarily on the assessment area receiving the full-scope review.

## **DESCRIPTION OF INSTITUTION**

Community Bank of Naples, N. A. (CBN) is an intrastate community bank headquartered in Naples, Florida, located on the West Coast in Collier County. CBN is wholly owned by Alabama National Bancorporation, a \$7.9 billion (as of June 30, 2007) bank holding company headquartered in Birmingham Alabama. The bank and the holding company do not share a common management team. Affiliate investment activity conducted by the holding company on behalf of the bank was considered at this examination. The bank has no operating subsidiaries.

CNB currently operates six banking offices, three in Collier County, two in adjacent Lee County (opened since the last CRA examination), and one in Sarasota County operating under the name of Community Bank of Sarasota and opened in November 2006. None of the branch locations are situated in either low- or moderate-income geographies. Because of the recent opening of the Sarasota office, business lending in that assessment area was not considered at this examination.

According to the Consolidated Report of Condition as of June 30, 2007, CNB had total assets of \$423 million and Tier 1 Capital of \$36 million. Total deposits equaled \$308 million. Total loans, which represent 82 percent of assets, equaled \$348 million. Approximately 97 percent of loans are real estate loans.

The bank offers a variety of deposit and loan products for individuals and businesses, as

described in the bank's CRA Public File. The bank's primary focus is business lending. Consumer and residential mortgage loans are generally provided as an accommodation to commercial customers however, during the evaluation period, CBN purchased 12 residential mortgage loans totaling \$757,000 from the Collier County Habitat for Humanity. Although these loans have a community development purpose, they are reportable under the Home Mortgage Disclosure Act (HMDA) and at this time can not be considered as community development loans.

There are no legal, financial, or other factors to impede the bank's ability to meet the credit needs in its assessment area. At its last CRA examination, dated January 7, 2002, the bank was rated "Satisfactory". At that time, the bank was evaluated using the Large Bank CRA Examination procedures. This is the bank's first examination using the Intermediate Small Bank CRA Examination procedures.

## **DESCRIPTION OF THE NAPLES ASSESSMENT AREA**

CBN's full-review assessment area consists of all of Collier County, which is equivalent to MSA 34940 (Naples-Marco Island, FL). The bank's overall assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on the 2000 Census, the assessment area consists of 52 census tracts (geographies) of which four (8%) are low-income, nine (17%) are moderate-income, 23 (44%) are middle-income, and 16 (31%) are upper-income. The greatest concentration of low- and moderate-income geographies can be found in the southern part of the county, around Immokalee and Everglades City. These areas are rural and have an agricultural base. They are located approximately 40 miles from the city of Naples, making it very difficult for the bank to serve this area.

The assessment area has a full-time population of about 251 thousand, based on the 2000 Census. Of that population, approximately 21,000 reside in the city of Naples. The population generally doubles during the winter months with an influx of part-time residents from the north. Between the 1990 and 2000 Census, the full-time population of the Naples MSA grew about 30 percent, as retirees moved permanently to the area. Approximately 25 percent of the full-time population is age 65 or over. The HUD estimated median family income for the Naples MSA is \$63,900, the highest in Florida and one of the highest in the nation.

Housing prices, as well as taxes and insurance, in the assessment area are high, increasing significantly in the past several years, but declining recently. In 2005, the median sales price of an existing single-family home in the Naples MSA was near \$400,000. By mid-2007, the price had declined to about \$325,000. When prices are compared with the HUD Adjusted Median Family Income for the Naples assessment area, it is clear that there is a need for housing affordable to low- and moderate-income families. The unsubsidized purchase of an average single-family residence would be beyond the financial means of most low-income families. Affordable housing organizations find it difficult to construct new housing that can be priced within range of low- and moderate-income families. Land and construction costs are high, and local impact fees significantly increase costs. This information indicates the need for affordable housing for low- and moderate-income families in the Naples assessment area.

The economy of the Naples assessment area is largely based on tourism. Along with Marco Island, the city of Naples makes up the popular vacation area known as the Paradise Coast. Employment opportunities are focused on real estate construction and development and the service industry, which includes jobs in the leisure, and hospitality industry as well as the health care industry. Based on 2007 Dunn & Bradstreet data, there are approximately 39,000 non-farm businesses in the Naples assessment area of which at least 67 per cent are considered small businesses, based on revenue size. The majority (87%) of non-farm businesses are concentrated in the assessment area's middle- and upper-income geographies. Only 673 (2%) non-farm businesses are located in low-income geographies and 4,278 (11%) in moderate-income geographies, limiting opportunities to lend in these areas.

Banking competition within the assessment area is strong. Based on FDIC data as of June 30, 2006 there are 36 institutions operating 131 banking offices of national, regional, and community banks in the Naples assessment area. Based on deposits, CNB is ranked 11<sup>th</sup>, with a deposit market share of 2.41 per cent. Competition for business loans is even more intense since lenders, such as credit card banks, lend in the Naples assessment area but do not take deposits. Based on 2005 aggregate data (the most current available), there were 106 lenders reporting small business loans in the Naples assessment area and this did not include banks considered small or intermediate small under the CRA regulation.

Opportunities for community development lending, investments, and services throughout the bank's Naples assessment area are somewhat limited. Larger institutions in the assessment area are very competitive for the qualified investments and loans that are available. Community development opportunities include working with and providing financing to organizations whose mission is to provide affordable housing and/or community services for low- and moderate-income persons, as well as organizations with a mission of economic development. There are two Community Redevelopment Areas (CRAs) in the county, one located in Immokalee and one in the city of Naples (Bayshore-Gateway Triangle). Redevelopment plans focus on affordable housing (Immokalee) and the expansion of economic opportunities that will provide additional jobs. In 1999, Immokalee was designated a Federal Enterprise Community with the goal of revitalizing the area by stimulating and retaining jobs. Types of community development investments available in the assessment area include, but are not limited to, the purchase of mortgage-backed securities and opportunities to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing, community services for low- and moderate-income persons, and economic development. However, because of the limited ability of low- and moderate-income borrowers to purchase housing in the Naples assessment area, as previously discussed, the availability of mortgage-backed securities has declined somewhat during the latter part of the evaluation period.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Lending Test

The bank's performance under the Lending Test is rated "Satisfactory".

### Conclusions for Areas Receiving Full-Scope Reviews

Based on a full-scope review, the bank's performance in the Naples assessment area is "Satisfactory".

### Loan-to-Deposit Ratio

This portion of the evaluation is performed for the entire bank rather than by assessment area. The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance.

CBN's loan-to-deposit ratio is more than reasonable given the bank's size and competition in the assessment area. The bank's quarterly average loan-to-deposit ratio since the last CRA examination is 108.86 per cent. Also, this ratio exceeds the 94.30 per cent quarterly average ratio of three similarly situated banks operating within the bank's assessment area, ranging from a low of 88.88 per cent to a high of 97.35 per cent.

### Lending in Assessment Area

This portion of the evaluation was performed for the entire bank rather than by assessment area. Lending in the overall assessment area exceeds the standard for satisfactory performance. A substantial majority of loans are in the bank's assessment area. Overall, 96 per cent by number and 97 per cent by dollar of businesses loans originated during the evaluation period were originated in CBN's assessment area.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	452	96	18	4	470	98,080	97	2,956	3	101,036

Source: Bank business loan origination reports January 1, 2005 through June 30, 2007. (\$000 omitted)

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

Overall, the distribution of borrowers meets the standard for satisfactory performance. In the full-scope Naples assessment area, the distribution of borrowers meets the standard for satisfactory performance, given performance context.

In the full-scope Naples assessment area, the bank’s distribution of loans to businesses demonstrates a reasonable penetration among businesses of different sizes. The level of the bank’s loans to small businesses (businesses with revenues of \$1 million or less) is somewhat lower than the level of small businesses in the assessment area, as shown in Table 2. However, 30 percent of businesses did not report revenue information. It should be noted that a majority (76%) of the bank’s loans to businesses (regardless of revenue size) are for amounts of \$250 thousand or less, reflecting support of small business development.

<b>Table 2 – Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<b>Full Review: Naples AA</b>				
% of AA Businesses	66.67	3.49	29.85	100%
% of Bank Loans in AA by #	43.13	29.38	27.49	100%
% of Bank Loans in AA by \$	35.17	32.79	32.04	100%
<b>Limited Review: Ft. Myers AA</b>				
% of AA Businesses	66.74	3.48	29.78	100%
% of Bank Loans in AA by #	30.86	30.86	38.27	100%
% of Bank Loans in AA by \$	32.45	34.86	32.70	100%

*Source: Bank business loan origination reports January 1, 2005 through June 30, 2007; Dunn and Bradstreet data 2007.*

### **Geographic Distribution of Loans**

Overall, the geographic distribution of loans meets the standard for satisfactory performance. In the full-scope Naples assessment area, the geographic distribution of loans meets the standard for satisfactory performance, given performance context.

The geographic distribution of loans to businesses in the full-scope Naples assessment area is reasonable, given performance context. The bank did not originate any business loans in the low-income geographies of the Naples assessment area. However, opportunities for business lending are limited in the two low-income geographies located in the Naples assessment area. Only 673 non-farm businesses are located there, severely limiting the lending opportunities for any one of the many lenders doing business in the assessment area. In the moderate-income geographies, the percentage of the bank’s loans was somewhat lower than the percentage of businesses operating in those geographies. As previously noted, the majority of moderate-income geographies are located a distance from the bank’s offices, making it difficult for a substantial amount of the bank’s lending to occur there. Refer to Table 3 below for the complete geographic distribution of business loans.

<b>Table 3 - Geographic Distribution of Loans to Businesses</b>								
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	% of AA businesses	% bank loans	% of AA businesses	% bank loans	% of AA businesses	% bank loans	% of AA businesses	% bank loans
<b>Full Review:</b>								
Naples AA	1.72	0.00	10.96	6.20	44.30	50.67	42.90	43.13
<b>Limited Review:</b>								
Ft. Myers AA	0.98	0.00	14.23	4.94	59.09	81.48	25.70	13.58

Source: Bank business loan origination reports January 1, 2005 through June 30, 2007; D & B data 2007.

### **Responses to Complaints**

The bank has not received any complaints regarding its CRA performance since the last examination.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the Lending Test in the Fort Myers assessment area is inconsistent with the bank's overall "Satisfactory" performance under the Lending Test. Borrower and geographic distribution performance was weaker in the Fort Myers assessment area than in the Naples assessment area. Refer to Tables 2 and 3 above for the facts and data that support this conclusion. This performance did not have an impact on the overall conclusion.

### **Community Development Test**

The bank's performance under the Community Development Test is rated "Satisfactory".

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on a full-scope review, the bank's performance in the Naples assessment area is "Satisfactory".

The bank's overall community development performance demonstrates good responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of opportunities for community development activities in the bank's assessment area.

### **Number and Amount of Community Development Loans**

Overall, CBN had a satisfactory level of community development loans that showed responsiveness to community development needs, given the somewhat limited opportunities in

the overall assessment area. In the full-scope Naples assessment area, CNB had an adequate level of community development loans that showed responsiveness to community development needs in the assessment area given the somewhat limited opportunities.

During the evaluation period, CBN originated six community development loans totaling \$469,000 in the full-scope Naples assessment area. All of these loans are non-interest bearing lot purchase loans to an organization that provides job training to primarily low- and moderate-income youths, the end result of which are homes available for sale to low- and moderate-income families. Affordable housing and job training are known needs within the bank's assessment area.

In addition, the bank originated two community development loans totaling \$7.6 million outside its assessment area. CBN is participating with another lending institution in this loan and \$2.9 million remains on the books of the bank. The community development loans are for the purchase of land and the development of an industrial park in a designated distressed middle-income census tract in Desoto County. The loan will help to revitalize and stabilize the area by providing economic development and needed jobs. The tract is adjacent to the bank's new assessment area in Sarasota County and will therefore have some limited responsiveness to the bank's assessment area. Because the bank adequately met community development loan needs in its assessment area, consideration was given to this out of assessment area loan.

### **Number and Amount of Qualified Investments**

Overall, CBN had a satisfactory level of qualified community development investments that showed responsiveness to community development needs, given the bank's capacity. In the full-scope Naples assessment area, the bank had an adequate level of qualified community development investments that are responsive to community development needs, given the capacity of the bank and the somewhat limited opportunities in the assessment area.

During the evaluation period, the bank had 35 investments totaling \$521 thousand. Two investments, representing 96 percent of total investment dollars, are mortgage-backed securities, for which the collateral is a pool of mortgage loans to low- and moderate-income borrowers. Mortgage-backed securities are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded and they meet the identified need for affordable housing financing for low- and moderate-income families. The bank's affiliate holding company purchased these securities and allocated them to CBN. The remaining evaluation period investments include 33 donations to various organizations whose primary purpose meets the definition of community development.

In addition, CBN has an investment originated in a period prior to this evaluation period. The investment, also a mortgage-backed security, has a current value of \$148 thousand.

### **Extent to which the Bank Provides Community Development Services**

Overall, the bank is satisfactorily responsive to community development needs through community development services, considering the bank's capacity and the level of opportunities in the assessment area. In the full-scope Naples assessment area, the bank provides a

satisfactory level of community development services, given the bank's size and the opportunities available within the assessment area.

CBN has provided technical assistance to assessment area organizations that support qualified community development activities. A bank officer serves on the economic development committee of an organization whose primary mission is to provide owner-occupied housing that is affordable to low- and moderate-income families. Three other employees have volunteered to teach budgeting workshops and provide other financial literacy training to families living in the homes developed by the above organization. Another employee is part of a group that provides financial counseling and homebuyer education to community college students. The bank president has served on a chamber of commerce committee seeking to establish an affordable housing program in the county and he and another officer also serve on the board of an organization that provides community services to groups of primarily low- and moderate-income youths. Finally, another officer helps to provide business planning and financing information to area small businesses through a local chapter of a national non-profit organization.

### **Conclusions for Area Receiving Limited-Scope Review**

Based on a limited-scope review, the bank's performance under the Community Development Test in the Fort Myers assessment area is inconsistent with the bank's overall "Satisfactory" performance under the Community Development Test. However, this performance did not have an impact on the overall conclusion.

CBN did not originate any community development loans in the Fort Myers assessment area and community development investments were limited to five donations totaling \$5,000. Community development service activity centered on technical assistance provided to a few organizations that provide community services to low- and moderate-income persons.

### **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.