



PUBLIC DISCLOSURE

February 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Natbank, National Association
Charter Number 23523

4031 Oakwood Boulevard
Hollywood, FL 33020

Office of the Comptroller of the Currency

Miami Field Office
9850 N.W. 41st Street
Suite 260
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 Outstanding

Natbank N.A.'s (Natbank) performance rating is supported by the following factors:

- A reasonable loan-to-deposit ratio,
- A substantial majority of loans are in the Bank's combined assessment area (AA),
- A reasonable penetration among individuals of different income levels and businesses of different sizes,
- Geographic distribution of loans that reflects excellent dispersion throughout the AA including low- and moderate-income geographies, and
- A significant investment in CRA qualified investments that made loan funding possible for low- and moderate-income people in the AA.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the Bank's performance under Small Bank Community Reinvestment Act (CRA) examination procedures. The evaluation period was from July 1, 2010 through February 28, 2016. Our analysis of lending activity is based on an evaluation period beginning January 1, 2012 through December 31, 2015 due to the 2010 Census change that was effective in 2012. A separate analysis of 2010 and 2011 lending activity would not produce a meaningful analysis under the 2000 census. More than two years of data was used in consideration of weak economic conditions that slowed loan production for part of the evaluation period but economic conditions have slowly recovered. We also evaluated CRA qualifying investments for the full evaluation period to determine their significance in the overall CRA rating.

We reviewed residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), as well as a sample of business loans originated during the evaluation period. The Bank is primarily a residential mortgage lender with business lending as the secondary product. Home purchase loans make up the largest volume by number of residential mortgages originated and received the most emphasis in our analysis. Home refinance loans were the second in volume by number given a low interest rate environment and an increase in home values during the evaluation period. Home improvement loans are offered but are not a primary product for the Bank. Business lending represents a small volume of the Bank's lending activity but an analysis of business lending is meaningful as small business lending is a credit need in the AA.

We conducted a data integrity examination in October 2015 to test the accuracy of the Bank's publicly filed HMDA information. We found no significant errors in the loan data; therefore, the performance evaluation is based on accurate data.

DESCRIPTION OF INSTITUTION

Natbank is an intrastate community bank headquartered in the city of Hollywood, Florida with three banking offices. Two offices are in Broward County and one office opened in Palm Beach County in February 2016. There have been no branch closings during the evaluation period. The Bank's main office is in a moderate-income geography and the branch in Pompano Beach is in an upper-income geography. The third office opened in Boynton Beach, Florida is in a middle-income geography. Broward County received a full scope review and Palm Beach County received a limited scope review. The Palm Beach branch has not been open for a sufficient time to produce a meaningful analysis this evaluation period for geographic and borrower distribution; however we will include any loans the Bank has made in Palm Beach County in determining the lending inside the combined AA. The Bank has served Broward County since 1994. Prior to holding a national bank charter beginning in 1997, the Bank was chartered as a Federal savings association.

Natbank is wholly owned by the National Bank of Canada located in Montreal, Canada. The United States holding company is NATBC Holding Corporation. As of December 31, 2015, the National Bank of Canada had total assets of \$16.2 billion and NATBC had total assets of \$26.2 million. Natbank offers traditional banking services as discussed in the Bank's Public File. The Bank's business strategy includes the introduction of products that appeal to all segments of the AA while retaining Canadian customers who live part of the year in South Florida. Natbank is primarily a residential mortgage lender; however, the Bank also originated business loans mainly to small businesses (annual revenues of \$1 million or less) in the AA. The Bank purchased no loans during the evaluation period. There are no affiliates or subsidiaries to consider in this evaluation of the Bank's performance. Natbank's last CRA performance evaluation was dated September 27, 2010 and resulted in a rating of "Satisfactory".

As of December 31, 2015, Natbank had total assets of \$157.8 million. Loans totaled \$134.5 million and deposits were \$121.2 million. The percentage of net loans to total assets was 85.85 percent. Tier 1 capital was \$26.2 million. The loan portfolio was comprised of 93.66 percent residential real estate, 2.50 percent commercial and commercial real estate, and 2.22 percent consumer loans. The Bank experienced profits during the evaluation period. There are no legal or other factors that impede the Bank's ability to meet the credit needs in its AA. Competition is strong in the AA with 50 financial institutions representing local, regional, and multi-regional banks. Natbank has 0.23 percent of the deposit market share and ranks 31st in market share in Broward County according to the Federal Deposit Insurance Corporation (FDIC) latest annual market share reporting as of June 30, 2015.

DESCRIPTION OF ASSESSMENT AREA(S)

Broward County

Broward County is equivalent to Metropolitan Division (MD) 22744 (Fort Lauderdale-Pompano Beach-Deerfield Beach, FL). Based on the 2010 Census, the AA consists of 361 geographies of which 19 (5.26 percent) are low-income, 99 (27.43 percent) are moderate-income, 133 (36.84)

percent are middle-income, 109 (30.19 percent) are upper-income, and one (0.28 percent) does not have an income designation due to low population in the Florida Everglades. The full scope AA meets the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income geographies. According to the 2010 Census, the population totaled 1.7 million people, an eight percent increase since the 2000 Census.

Broward County was severely impacted by the housing crisis that had its beginnings in 2006 and 2007 leading to the national recession that ended in 2009. Several years have passed, but Broward County as well as the State of Florida and the nation (United States) continue to recover from the crisis. The cost of living in the Broward County MD remains high even though there are indications of improvements in employment, foreclosure filings, housing sales, and other conditions. Service type jobs, mainly held by low- and moderate people typically do not keep pace with rising housing costs and other costs in the AA.

Approximately, 22 percent of families in Broward County are low-income and approximately 18 percent of families are moderate-income. The poverty level is high at 12 percent. The Department of Housing and Urban Development (HUD) estimated median family income for the evaluation period was \$62,600 for 2012, \$61,700 for 2013, \$61,800 for 2014, and \$62,524 for 2015. Based on the median family income, low- and moderate-income (LMI) people have incomes of less than 80 percent of the median family income, or less than \$50,080, \$49,360, 49,440, and \$50,019 respectively for the years discussed. Housing costs are high with the median sales price of a single-family home of \$205,000 as of December 2015, according to Zillow.com. The high median cost makes it difficult for LMI people to own a home in the AA without the help of loan subsidies. The high cost of property taxes and insurance premiums also add significant costs to owning a home. Investors have purchased lower priced homes for cash limiting the opportunities for low- and moderate-income buyers.

The unemployment rate has fluctuated during the evaluation period with a high of 8.6 percent in July 2012 and trending lower at 4.8 percent as of December 2015, according to the Bureau of Labor Statistics. During the evaluation period, the Broward County unemployment rate tended to be below the State of Florida rate. The State unemployment rate was 5.1 percent as of March 2015.

Foreclosures are high for Broward County at one in every 721 homes based on RealtyTrac statistics. During the evaluation period, the trend in foreclosures decreased but is considered high. The high level of foreclosures was a major factor in the devaluation of homes during the evaluation period. Home values are slowly rising and according to Zillow.com, the median home value was \$205,000 in December 2015 compared to \$185,000 in December 2014, \$166,000 in December 2013, and \$142,000 in December 2012.

Major industries include tourism, real estate development, trade business with Latin America, health care, financial services, and retail services. According to Dunn and Bradstreet, there were 589,248 non-farm businesses in the Broward MD for 2012 of which 76.15 percent are categorized as small business. Small businesses are defined as having annual revenues of \$1 million or less. For 2015, non-farm businesses reduced to 462,994, of which 82.28 percent were small businesses. The majority (75.67 percent) of the small businesses are concentrated in the

County's middle- and upper-income geographies. Many small businesses have struggled to stay in business during the recession and the recovery period. Those businesses seeking loans, including new business owners, faced more stringent underwriting of their loans and documentation of creditworthiness from banks. Small businesses in the County decreased from 448,751 in 2012 to 380,973 in 2015.

Banking competition within the AA is strong. In addition to community and mid-size banks, branches of the largest banks in the country operate in Broward County. There is additional competition from credit unions and finance companies. As of June 30, 2015, there are 50 deposit taking financial institutions in Broward County operating 478 branches based on the Federal Deposit Insurance Corporation's annual market share data.

As part of our review, we also incorporated information obtained from local community contacts. The contacts consisted of agencies primarily focused on housing. From these discussions, we determined that the most pressing credit needs in Broward County are affordable housing and small business lending.

Palm Beach County

Palm Beach County is also known as Metropolitan Division 48424 and is adjacent to Broward County on the north. Its economic condition has been similar to Broward County. We will not provide a detailed profile of the Palm Beach County AA considering the banking office is new and has not had sufficient operating time to produce a volume of loans for a meaningful analysis.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- Natbank's quarterly average loan-to-deposit ratio since the last CRA examination is reasonable.

Natbank's quarterly average loan-to-deposit ratio from July 1, 2010 through December 31, 2015 was 79.47 percent. Four similarly situated banks' average loan-to-deposit ratios range from 75.61 percent to 80.21 percent. The Bank's ratio falls within the range of similarly situated banks. The similarly situated banks and their quarterly average loan-to-deposit ratios are Optimumbank (80.21 percent), Transcapital Bank (79.89 percent), Desjardins Bank, NA (79.74 percent), and American National Bank (75.61 percent). Similarly situated institutions were selected based on asset size. Desjardins Bank, NA is most similar as it also has a Canadian parent holding company and has a majority of Canadian customers.

Lending in the Assessment Area

- A substantial majority of the number of loans made during the evaluation period were inside the AA.

The Bank originated a substantial majority of its residential loan portfolio and commercial loans in its combined AA. The analysis is conducted at the bank level rather than by each AA. Home mortgage data from January 1, 2012 through December 31, 2015 and the 24 business loans sampled for the evaluation period indicated that 466 of the 578 loans, or 80.62 percent, were originated in the AA. The dollar volume of loans inside the AA was \$83.0 million, or 77.47 percent of total dollar volume of loans made during the evaluation period. More weight was given to the number of loans originated in the AA.

| Table 1 - Lending in Broward and Palm Beach Counties AA (000s) | | | | | | | | | | |
|---|-----------------|--------------|------------|--------------|------------|------------------|--------------|---------------|--------------|----------------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase | 257 | 44.46 | 56 | 9.69 | 313 | 40,293 | 37.60 | 12,551 | 11.71 | 52,844 |
| Refinance | 184 | 31.83 | 55 | 9.52 | 239 | 37,557 | 35.05 | 11,086 | 10.35 | 48,643 |
| Home Improvement | 2 | 0.35 | 0 | 0.00 | 2 | 1,650 | 1.54 | 0 | 0.00 | 1,650 |
| Business | 23 | 3.98 | 1 | 0.17 | 24 | 3,515 | 3.28 | 500 | 0.47 | 4,015 |
| Total | 466 | 80.62 | 112 | 19.38 | 578 | 83,015 | 77.47 | 24,137 | 22.53 | 107,152 |

Source: Data reported under HMDA; 24 business loans originated during the evaluation period.

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

- Lending to borrowers of different incomes and businesses of different sizes reflects a reasonable penetration among borrowers of different incomes and to businesses of different sizes when considering performance context.

Residential mortgage loans are the Bank’s primary products with home purchase and refinance loans most originated. Home improvement loans are offered but are not a primary product for the Bank. The following table shows the distribution of residential mortgage loans based on home mortgage type and borrower income.

| Table 2 - Borrower Distribution of Residential Real Estate Loans in Broward County AA | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase | 21.80 | 0.00 | 17.61 | 3.50 | 19.42 | 5.45 | 41.17 | 70.43 |
| Home Refinance | 21.80 | 0.00 | 17.61 | 2.72 | 19.42 | 3.80 | 41.17 | 51.09 |
| Home improvement | 21.80 | 0.00 | 17.61 | 0.00 | 19.42 | 0.00 | 41.17 | 62.80 |

Source: Data reported under HMDA; 2010 U.S. Census data. 29.80 percent of HMDA loans had NA for income information.

Natbank’s distribution of residential loans to borrowers of different incomes is significantly below the percentage of families for both low- and moderate-income people.; however, the distribution is considered adequate when considering performance context associated with high

housing costs to own a home in the AA, as discussed in the Description of Assessment Area(s) for Broward County. One community contact that provides services to homeless people commented that wages from servicing type jobs (i.e. restaurant workers, store cashiers, hospitality, etc.) are not keeping pace with the high housing costs of the AA making it difficult for low- and moderate-income people to rent, own, or maintain a home. Other performance context factors during the evaluation period include more stringent loan underwriting practices stemming from residential mortgage problems spun from the economic recession that kept home foreclosures elevated during the evaluation period and the purchasing of lower priced homes for cash by investors, limiting the opportunities for low- and moderate-income buyers.

The following table summarizes the distribution of all business loans made by Natbank during the evaluation period.

| Table 2A - Borrower Distribution of Loans to Businesses in Broward County AA | | |
|---|--------------|--------------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses* | 82.28 | 2.95 |
| % of Bank Loans in AA by # | 82.61 | 17.39 |
| % of Bank Loans in AA by \$ | 94.22 | 5.78 |

*Source: 23 business loans inside AA sampled from originated loans during the evaluation period; *2015 D & B data. 14.77 percent of AA businesses did not report revenue data.*

Business loans were the next largest volume type of loans originated by Natbank in its AA. Business loans include commercial and industrial and commercial real estate loans. The Bank’s percentage of commercial lending to small businesses is excellent for both the number and dollar volume of loans. Despite a lower volume of commercial lending, the Bank’s business originations were made to small businesses that address an identified community credit need for loans to small businesses.

Geographic Distribution of Loans

- The geographic distribution of loans exhibits an excellent dispersion in the AA.

Residential loans, especially home purchase loans, are the largest volume type of loan originated by the Bank. The following table shows the geographic distribution of residential mortgage loans originated in the AA for the evaluation period. This table shows that home purchase lending is good in both low-income and moderate-income geographies with lending near the percentage of owner-occupied housing. For home refinance loans, lending is good overall, with adequate lending in low-income geographies and excellent lending in moderate-income geographies considering performance context. For low-income geographies, the Bank’s lending for refinance loans is significantly below the percent of owner-occupied housing in low-income geographies, but adequate when considering performance context associated with the low level of owner-occupied housing in the AA, indicating more renters than homeowners in the low-income geographies. The percentage of home refinance loans in moderate-income geographies is excellent, exceeding the percentage of owner-occupied housing. As mentioned earlier, the Bank offers home improvement loans but they are not a primary product of the Bank. The Bank

originated only two home improvement loans during the evaluation period and this low volume would not produce a meaningful analysis.

| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
|---------------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Loan type | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Home Purchase | 2.29 | 1.95 | 24.94 | 19.84 | 36.66 | 36.96 | 36.11 | 19.84 |
| Home Refinance | 2.29 | 0.54 | 24.94 | 27.28 | 36.66 | 34.24 | 36.11 | 20.64 |
| Home Improvement | 2.29 | 0.00 | 24.94 | 0.00 | 36.66 | 0.38 | 36.11 | 0.00 |

Source: Data reported under HMDA years 2012-2015; 2010 U.S. Census data.

The lending dispersion displayed no unexplained conspicuous gaps of lending. Geographies in the AA without loan penetration are due to Natbank's serving a large AA with only two locations in the eastern part of the County. This limitation as well as strong competition from other lenders with multiple banking offices in the AA increases the difficulty to penetrate all geographies of its AA.

Business lending is a small part of the Bank's lending in number of loans originated, but based on our sample of 23 loans in the AA, the Bank has excellent performance of lending to businesses in low- and moderate-income geographies. The following table shows the geographic distribution of the business loans. The percentage of business loans originated in low- and moderate-income census tracts is excellent exceeding both demographic percentages.

| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
|---------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Loan Type | % 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 |
| Business | 3.44 | 17.00 | 24.56 | 43.00 | 33.75 | 13.00 | 38.25 | 26.00 |

Source: 23 business loans sampled from originated loans during the evaluation period inside the AA; 2015 Dunn & Bradstreet data.

Conclusions for Areas Receiving Limited-Scope Review

Palm Beach County is the limited scope AA; however, there are no findings at this evaluation due to the short operations of the new branch in the AA. A meaningful analysis of lending was not possible.

Qualified Investments and Community Development Services

During the evaluation period, the Bank purchased two CRA qualified mortgage backed securities totaling \$5.5 million. Management presented no community development services for consideration. The funds invested in the underlying mortgages of the securities make it possible for low- and moderate-income people in the Bank's AA to obtain a mortgage loan. The current period qualified investments had a positive impact on the Bank's CRA performance considering the strong competition from other area banks seeking the same types of investments. Banks are often required to pay a premium to obtain CRA qualified investment bonds. There were no prior period investments. Natbank also made donations to qualifying organizations totaling approximately \$21 thousand that provide services to low- and moderate- income people. The organizations include the following:

HOPE of South Florida- This organization provides services and shelter to homeless people.

Friends of Wolf Foundation- This organizations provides services to less fortunate, disadvantaged people and children and helps elderly and widowed homeowners with home repairs.

God's Little Lambs- This organization provides childcare largely for children from low-income families, allowing mothers and fathers to work, save money and support their families. It was originally formed to minister to families that were homeless. The ministry quickly recognized that a critical step on the road to steady employment and family stability was reliable and affordable childcare.

Responses to Complaints

The Bank has not received any complaints regarding its CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.