



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 27, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Natbank, National Association
Charter Number 23523

4031 Oakwood Boulevard Street
Hollywood, Florida 33020

Office of the Comptroller of the Currency

South Florida Field Office
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.

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

- A more than reasonable loan-to-deposit ratio;
- A majority of loans are in the assessment area (AA);
- A reasonable dispersion of loans in the AA to borrowers of different income levels and businesses of different sizes, and,
- A reasonable geographic distribution of loans 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 April 1, 2004 through June 30, 2010. In evaluating the bank's lending performance, we reviewed residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), as well as all 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 of residential mortgages and received the most emphasis in our analysis. 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.

As part of this CRA evaluation, we tested the bank's publicly filed HMDA information for accuracy. We found no significant errors in the loan data. This evaluation is based on accurate data.

DESCRIPTION OF INSTITUTION

Natbank is an intrastate community bank headquartered in the city of Hollywood, Florida with a second branch office in Pompano Beach, Florida. The main office is located in a low-income census tract while the Pompano Beach branch is located in an upper-income census tract. 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 bank.

Natbank is wholly owned by the National Financial Group of Canada (NATBC Holding Corporation). The holding company is located in Montreal, Quebec, Canada. On July 31, 2010, the holding company had assets totaling \$146 billion (Canadian dollars). Banking offices offer

traditional banking services and are accessible to many neighborhoods of the AA. 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. The bank is already preparing to offer check cards that have more features than the basic automated teller machine (ATM) card. Natbank is primarily a residential mortgage lender; however, the bank also originated business loans mainly to small businesses (revenues of \$1 million or less) in the AA. Natbank's last CRA performance evaluation was in April 2004 and resulted in a rating of "Outstanding".

As of June 30, 2010, Natbank had total assets of \$94 million. Loans totaled \$71 million and deposits were \$78 million. The percentage of net loans to total assets was 73.97%. Tier 1 Leverage capital was \$14.5 million while the Tier 1 Leverage capital ratio was 15.06%. The loan portfolio was comprised of 90% residential real estate, 6% commercial, 2% multifamily, and 2% loans to individuals. The bank has experienced financial losses for the past two years and year-to-date. No legal or other factors impede the bank's ability to meet the credit needs in its AA. Competition is strong in the AA with 69 financial institutions representing local, regional, and multi-regional banks. Natbank has 0.15% of the deposit market share and ranks 39th in market share in Broward County.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's AA is Broward County which is also labeled as Metropolitan Statistical Area (MSA) #2744 Fort Lauderdale-Pompano Beach-Deerfield Beach Florida. The AA is comprised of 279 geographies called census tracts. Based on income tract level, 13 census tracts are low-income, 71 are moderate-income, 117 are middle-income, and 78 are upper income.

As with most metropolitan areas in Florida, the economy in the AA has experienced a downturn due to the national and local recession. Natbank's ability and opportunities to lend, especially to low- and moderate-income borrowers as well as to small businesses, has been impacted by the downturn. The entire state, and in particular Broward County has experienced significant job losses, a volatile housing market with a record number of delinquencies, foreclosures, and bankruptcies. Major industries of tourism, real estate development, wholesale trade companies, health care, financial services, and retail services have suffered as a result of the downturn. The AA continues to have a high unemployment rate of 10.1%, declines in real estate values, and increases in residential foreclosures. According to the 2000 U.S. Census Bureau economic data, the AA had a population of 1.6 million with almost 11% of the households living below the poverty level and persons over age 65 representing a little over 16%.

As a part of our review, we also incorporated information obtained from local community contacts and discussions with bank management. 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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

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

Natbank's quarterly average loan to deposit ratio from April 1, 2004 through June 30, 2010 was 109.47%. This ratio is higher than the average ratio of 92.65% of two similarly situated banks in the AA. These two community banks are similar in asset size (less than \$150 million in total assets) and have main offices and branches in Broward County. The range of loan to deposit ratios for the two banks was from 88.72% to 96.50%.

Lending in Assessment Area

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

The bank originated the majority of its residential loan portfolio and commercial loans in the AA. Home mortgage data and the 20 business loans for the evaluation period indicated that 277 of the 450 loans or 61.56% were originated in the AA. The dollar volume of loans inside the AA was \$41,231,000 or 48.43% of total dollar volume of loans made during the evaluation period.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	208	46.22	131	29.11	339	28,322	33.26	32,820	38.55	61,142
Refinance	51	11.33	38	8.44	89	7,585	8.91	10,111	11.88	17,696
Home Improvement	1	0.22	1	0.22	2	80	0.10	200	0.23	280
Business	17	3.79	3	0.67	20	5,244	6.16	781	.91	6,025
Totals	277	61.56	173	38.44	450	41,231	48.43	43,912	51.57	85,143

Source: Data reported under HMDA; All 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, including low- and moderate- income individuals. The distribution of loans to businesses of different sizes exceeded demographic percentages.

Residential mortgage loans are the largest volume type of loans originated by Natbank. The following table shows the distribution of residential mortgage loans based on borrower income. Natbank made a total of 260 home loans in Broward County during the evaluation period for a total of \$35,987,000.

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	20.85	2.31	18.17	6.92	20.48	15	40.05	52.69
Home Refinance	20.85	0	18.71	.38	20.48	0	40.05	0
Home improvement	20.85	.77	18.17	1.15	20.48	5.77	40.50	10.38

Source: Data reported under HMDA; 2000 U.S. Census data.

Natbank’s distribution of residential loans to borrowers of different incomes reflects a reasonable penetration among borrowers of different income levels, even though the bank’s lending is below demographic percentages. According to the National Association of Realtors, the median sales price of a single-family home in Broward County is \$206,700. This high median sales price makes it difficult for low- and moderate- income individuals and families to afford a home. Furthermore, high property related insurance premiums and taxes for the AA add to the cost of owning a home. The 2010 Housing and Urban Development (HUD) Adjusted Median Family Income was \$66,200. Moderate-income (defined as at least 50% and less than 80% of the area median family income) borrowers would have a maximum income of \$52,953. Low-income (defined as less than 50% of the area median family income) would have a maximum income of \$33,093.

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*	82.59	3.04
% of Bank Loans in AA by #	88.24	11.76
% of Bank Loans in AA by \$	87.04	12.96

Source: All business loans originated during the evaluation period; 2010 Dunn and Bradstreet data.
 * 14.39% of AA businesses did not report revenue data.

Business loans were the next largest volume type of loans originated by Natbank in its AA with 17 loans totaling \$5.2million. 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 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 is reasonable.

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 no residential loans were made in low-income census tracts; however, only 1% of owner-occupied housing in the AA is located in low income tracts. Natbank made a good combined volume of home purchase and home refinance loans in moderate-income census tracts relative to the percentage of owner-occupied housing in those tracts. The dispersion to moderate-income tracts for home purchase loans was near the demographic percentage.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Broward County AA								
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	1.16	0	23.67	22.69	45.93	45.00	29.24	12.31
Home Refinance	1.16	0	23.67	6.15	45.93	8.85	29.24	0
Home Improvement	1.16	0	23.67	0	45.93	0.38	29.24	4.62

Source: Data reported under HMDA; 2000 U.S. Census data.

Census tracts in the AA without loan penetration are due to Natbank's relatively small asset size (\$94 million total assets and two locations) and large AA. These limitations prevent Natbank from penetrating all areas in the AA.

The volume of business lending is small with 17 loans totaling \$5.2 million for the evaluation period; therefore, less emphasis was placed on business lending. The following table shows the geographic distribution of the business loans. The percentage of business loans originated in low- and moderate-income census tracts exceeds both demographic percentages.

Table 3A - Geographic Distribution of Loans to Businesses in Broward County AA								
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	4.53	5.88	21.79	35.71	64.47	42.25	57.14	0

Source: All business loans originated during the evaluation period; 2010 D & B data.

Responses to Complaints

In the period since the last examination, the bank has not received any complaints regarding its CRA performance.

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.