



SMALL BANK

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

PUBLIC DISCLOSURE

August 23, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pelican National Bank
Charter Number 23178**

**811 Anchor Rode Drive
Naples, FL 34103**

**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:

We evaluated Pelican National Bank's (Pelican) performance under the Community Reinvestment Act (CRA) using the small bank performance criteria. Pelican received a Satisfactory rating at its previous CRA examination in November 1998. Due to changes in census tract designations from the 2000 census that became effective on January 1, 2003, the evaluation focused on the years 2000, 2001, and 2002.

The institution is rated **Satisfactory**. This rating is assigned to the performance of the two Metropolitan Statistical Areas that comprise Pelican's Assessment Area.

The major factors that support this rating include:

- The high level of overall lending.
- The high penetration within the Assessment Areas.
- The satisfactory distribution of loans to borrowers of different incomes and businesses of different sizes.
- The satisfactory distribution of loans in low-and moderate- income areas.

DESCRIPTION OF INSTITUTION

Established in 1997, Pelican is a community bank headquartered in Naples, Florida in Collier County. Pelican is owned by Pelican Financial, Inc, a one bank holding company. During the performance evaluation period, the bank had its original office in Naples, and two offices in near by Lee County, which opened in October 1999 and October 2002, respectively.

As of December 31, 2003, the bank had total assets of \$221 million and total deposits of \$194 million. The bank focuses on commercial real estate and residential lending. Real estate lending typically represents over 80% of the loan portfolio, and is mainly loans to small real estate contractors, developers, and investors, as well as business loans secured by real estate. The remainder of the loan portfolio is centered in boat loans. Pelican is affiliated through common ownership to Washtenaw Mortgage, a nationwide mortgage originator headquartered in Ann Arbor, Michigan. From time to time during the evaluation period, Pelican purchased and sold residential loans to its affiliate and others.

There were no legal impediments that would hinder the bank's ability to meet the credit needs of its assessment area in a manner consistent with its overall resources

Pelican's assessment area (AA) consists of the entire Metropolitan Statistical Areas (MSAs) of Collier County-Naples and Lee County-Ft. Myers. These two MSAs are relatively similar in overall demographics. The AA meets the requirements of the CRA regulation, and does not arbitrarily exclude low- and moderate-income geographies.

Description of Collier County-Naples Assessment Area

Over the past two decades the Collier County-Naples MSA has been one of the fastest growing areas in the U.S. The 1990 census reported 31 census tracts, of which 6% were low-income, 13% were moderate-income, 42% were middle-income, and 39% are high-income. Economic conditions in the MSA were strong during the evaluation period, including a very low unemployment level that remains low. The HUD adjusted median family income for this MSA was \$69,800 for 2002.

The median housing value was \$161,155 per the 1990 census. By 2001, according to the Collier County Property Appraiser, the average sales price of a single family home was \$337,510 and a condominium was \$257,432. While overall positive for the MSA, the significant increase in home prices makes it difficult for low- and moderate-income persons to afford homeownership.

According to the 2000 census the population of Collier County was 251,377, a 65% increase over the 1990 census. The county's population rises by an estimated one-third during the winter season, which traditionally lasts from November through April. The population is centered in the cities of Naples, Marco Island, and Immokalee.

Naples is the business center and the focus of population growth. Marco Island is a resort community. Agricultural operations are located in the northeast section of the county, principally in the Immokalee area. Protected swamps and vacant land from the Florida Everglades comprise a significant portion of this assessment area. Major employers include the local government and service-oriented businesses related to tourism, real estate development, and financial services. A community contact performed during this evaluation with the Naples Chamber of Commerce and the local Economic Development Council revealed that residential and commercial real estate development are major economic forces in the area, and represent major community credit needs.

Competition within the AA for quality loans was strong during the evaluation period due to the strong economic conditions and steadily rising real estate values. There are numerous local and national financial and banking service providers. The city of Naples in particular has experienced significant real estate development, and population growth. For example, according to the 2000 census, Collier County had 103,126 households compared to 61,646 in the 1990 census, an increase of 67%.

Description of Lee County-Ft. Myers Assessment Area

According to the 1990 Census, the Lee County-Ft. Myers MSA had 91 census tracts of which 1% were low-income, 15% were moderate-income, 68% were middle-income, 14% were upper-income, and 2% of the census tracts did not have available income information. Economic conditions in the MSA were good during the evaluation period, including a very low unemployment level that remains low. The HUD adjusted median family income for this MSA was \$52,100 for 2002.

The median housing value was \$102,414 per the 1990 census. Moreover, according to the National Association of Realtors, as of the second quarter of 2004, the median sales price of an

existing single-family home had risen to \$171,800. While overall positive for the MSA, the significant increase in home prices makes it more difficult for low- and moderate-income persons to afford homeownership. Residential and commercial financing are major community credit needs, per various sources accessed as part of this review.

According to the 2000 census the population of Lee County totaled 475,073, an increase of 42% over the 1990 census. The population is centered in the cities of Bonita Springs, Ft. Myers, Cape Coral, Ft. Myers Beach, and Sanibel. Similar to Collier County, Lee County is a fast-growing area, and competition for quality loans is strong with 170 branches in the county. Major industries include tourism, real estate, and construction, and the various associated services. The county is home to the area's largest airport. The area's climate, its access to beaches, and the availability of various key services have attracted a large number of retirees, transplants from the northeast and mid west of the U.S., and Europeans seeking secondary or vacation homes.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio (LTD) during the evaluation period exceeds the standards for satisfactory performance. The bank's average quarterly LTD was 99%, compared with 80% average quarterly LTD for a group of similar size banks in the assessment area.

The AAs' strong economy during the evaluation provided a high number of lending opportunities. Pelican originated housing and real estate-secured small business loans consistent with the general needs of the community, its overall resources, and business strategy. Pelican also regularly purchased real estate-secured loans, which further increased its LTD ratio. In recent quarters, the LTD has declined due to changes in lending policies and management.

Lending in Assessment Area

Lending in the AA exceeds the standards for satisfactory performance. This conclusion applies to lending activity throughout both MSAs.

A substantial majority of the bank's housing and small business loans, both in number and dollar amount, were inside the AA during the evaluation period. In addition, Pelican further augmented lending volume by purchasing loans, some of which were inside the AA. Noteworthy is the bank's purchase of four loans totaling \$205,000 in local residential mortgages in low- and moderate-income areas from Habitat for Humanity of Collier County in January 2002. Habitat for Humanity helps create housing opportunities for persons of modest means in the area.

The following table depicts loan penetration in the entire AA, which includes the two MSAs.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Housing related	383	85	67	15	450	54,256	72	20,563	28	74,819
Small business	141	89	18	11	159	15,231	84	2,971	16	18,202
Totals	524	86	85	14	609	69,487	75	23,534	25	93,021

Source: Home loan data reported under HMDA for 2000, 2001, and 2002. Small business loan data from bank reports for 2000, 2001, and through June 30, 2002, verified by sampling 20 such loans.

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

The bank meets standards for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

In both MSAs, the volume of home purchase loans to low-income borrowers was lower than the percentage of low-income families in the MSA. Also, home purchase loans to moderate-income borrowers were lower, but more in line with the percentage of moderate-income families in the MSA.

The lower lending volume to low- and moderate-income persons is partly due to the high housing costs in the MSAs. Also, the modest median income levels make it difficult for low- and moderate-income borrowers to afford homeownership in the MSAs. In addition, the bank's limited number of branches and staff, and very strong competition make it difficult to penetrate a broader portion of the MSA.

In both MSAs, the volume of home improvement loans to low- and moderate-income borrowers was reasonably close to the percentage of low- and moderate-income families in the MSA. While the bank had no home improvement loans to low-income borrowers in Lee County, these loans were only 4% of the total housing loans made during the evaluation period. Also, this was compensated by a high distribution of home improvement loans to moderate-income borrowers of 50%, versus 20.25% of moderate-income families in the MSA.

In the Collier County-Naples MSA, the volume of home loan re-financing to low- and moderate-income borrowers exceeded the percentage of low- and moderate-income families in the MSAs. In the Lee County-Ft. Myers MSA, home loan re-financing to moderate-income borrowers exceeded the percentage of moderate-income families in the MSA.

The higher penetration with home loan refinancing may be attributed to the ability of existing low- and moderate-income homeowners to use their home equity as a qualifying factor. Also, interest rates were low during the evaluation period making re-financing an attractive option, and in some cases lowering loan payments making qualifying more feasible for low- and moderate-income homeowners.

The following two tables illustrate the home loan distribution in each income category in the MSAs.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Assessment Area Collier County – Naples MSA								
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	17.77	4.62	19.99	12.31	22.95	16.92	39.29	66.15
Home Improvement	17.77	11.11	19.99	11.11	22.95	22.22	39.29	55.56
Home Refinance	17.77	17.50	19.99	35.00	22.95	2.50	39.29	45.00

Source: Data reported under HMDA 2000, 2001, and 2002; U.S. Census data (1990).

Table 2A - Borrower Distribution of Residential Real Estate Loans in Assessment Area Lee County – Ft. Myers MSA								
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	16.34	4.20	20.25	13.45	24.98	26.05	38.44	56.30
Home Improvement	16.34	0	20.25	50.00	24.98	0	38.44	50
Home Refinance	16.34	7.06	20.25	23.53	24.98	24.71	38.44	44.71

Source: Data reported under HMDA 2000, 2001, and 2002; U.S. Census data (1990).

Small business lending performance was good. Small business loans include loans to local real estate contractors and developers, and business loans secured by real estate. A small business is one that has gross annual revenues of \$1 million or less.

A sample of 20 loans made within the Collier County-Naples MSA showed 85% of the loans were to small businesses. This percentage exceeds the level of small businesses in the MSA.

Table 2B - Borrower Distribution of Loans to Businesses in Assessment Area - Collier County – Naples MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61.0	4.35	34.65	100%
% of Bank Loans in AA by #	85.0	15.0	0	100%
% of Bank Loans in AA by \$	87.0	13.0	0	100%

Source: Random sample of 20 loans from this MSA originated/purchased in 2000-2002.

Similar performance was noted in the Lee County-Ft. Myers MSA. A sample of 20 loans made in that MSA revealed that 75% of the loans were to small businesses. That exceeded the percentage of small businesses in the MSA. The performance is consistent with the bank's focus on small businesses, particularly those involved in real estate development and investment.

Table 2C - Borrower Distribution of Loans to Businesses in Assessment Area - Lee County – Ft. Myers MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62.7	4.4	32.9	100%
% of Bank Loans in AA by #	75.0	25.0	0	100%
% of Bank Loans in AA by \$	91.9	8.1	0	100%

Source: Random sample of 20 loans from this MSA originated/purchased in 2000-2002.

In addition, a review of the dollar amount of 20 loans made to businesses during 2000 - 2002 in each MSA revealed that a majority of the loans were to small businesses given the loan size.

As illustrated in the table below for the Collier County-Naples MSA, 50% of the loans made were for \$250 thousand or less, and 70% were for \$500 thousand or less.

Table 2D - Borrower Distribution of Loans to Businesses by Loan Size in the Assessment Area - Collier County – Naples MSA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	4	20	237,400	2.88
\$100,001 - \$250,000	6	30	1,212,900	14.70
\$250,001 - \$500,000	4	20	1,153,450	13.98
\$500,001 - \$1,000,000	3	15	2,080,000	25.22
Over \$1,000,000	3	15	3,565,000	43.22

Source: Random sample of 20 loans from this MSA originated/purchased in 2000-2002.

For the Lee County-Ft. Myers MSA, the table below shows that 65% of the loans were for \$250 thousand or less, and 75% were for \$500 thousand or less.

Table 2E - Borrower Distribution of Loans to Businesses by Loan Size in the Assessment Area - Lee County – Ft. Myers MSA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	4	20	317,200	4.70
\$100,001 - \$250,000	9	45	1,344,310	19.90
\$250,001 - \$500,000	2	10	782,000	11.60
\$500,001 - \$1,000,000	3	15	2,044,500	30.26
Over \$1,000,000	2	10	2,267,500	33.54

Source: Random sample of 20 loans from this MSA originated/purchased in 2000-2002.

Geographic Distribution of Loans

The geographic distribution of loans meets the standards for satisfactory performance for both MSAs given the bank's limited branch network and staff.

In the Collier County-Naples MSA, the distribution of home purchase loans in low-income areas was similar to the MSA's percentage of owner-occupied housing in those areas, although the percentage of low-income owner occupied housing in this MSA was very low and therefore limited lending opportunities. Home purchase loan penetration in moderate-income areas was lower than the percentage of owner-occupied housing in those areas in the MSA. For home improvement and home loan refinancing, the penetration was also lower than the percentage of low- and moderate-income owner occupied housing in the MSA.

Very strong competition for loans and the bank's one-office location in the MSA limited broader loan penetration. Also, high housing costs and modest median income levels make it difficult for low- and moderate-income borrowers to afford homeownership.

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	1.18	1.19	7.73	2.38	57.92	61.90	33.17	34.52
Home Improvement	1.18	0	7.73	0	57.92	45.45	33.17	54.55
Home Refinance	1.18	0	7.73	4.17	57.92	62.50	33.17	33.33

Source: Data reported under HMDA for 2000-2002; U.S. Census data (1990).

In the Lee County-Ft. Myers MSA, there were no loans made in low-income areas, but low-income areas with owner occupied housing represented less than 1% of the total in the MSA.

Loan distribution in moderate-income areas was lower for home purchase loans, and in line with the MSA's demographics for home improvement loans.

Loan penetration in moderate-income areas with home loan re-financing was close to the MSA's percentage of moderate-income owner-occupied housing.

Similar factors as in Collier County influenced this performance, namely the affordability of homeownership. In addition, Pelican's two branches in Lee County were opened for a short time during the evaluation period limiting the ability to reach a broader portion of the MSA.

Table 3A - Geographic Distribution of Residential Real Estate Loans in the Assessment Area – Lee County-Ft. Myers MSA								
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	0	13.44	5.00	74.89	88.57	11.14	6.43
Home Improvement	>1	0	13.44	13.44	74.89	100.00	11.14	0
Home Refinance	>1	0	13.44	8.79	74.89	81.32	11.14	9.89

Source: Data reported under HMDA for 2000-2002; U.S. Census data (1990).

The distribution of small business loans in the MSAs was good.

The percentage of small loans to businesses originated in low- and moderate-income tracts is similar to the percentage of businesses in those tracts, as shown in the following table. The data shown in the table is from bank reports, and was verified. The data combined lending activity and census tract information for the two MSAs. This was considered acceptable given the satisfactory quality of the data, and results that showed satisfactory performance in low- and moderate-income census tracts for the combined MSAs.

Table 3B - Geographic Distribution of Small Business Loans in the combined Assessment Areas								
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
Small Business	1.1	1.4	6.7	4.3	70.6	74.5	21.6	19.8

Source: Data collected by bank for 2000, 2001, and through June 30, 2002; D & B data (2002).

Responses to Complaints

The bank did not receive any complaints regarding its CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.