



PUBLIC DISCLOSURE

May 05, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Encore Bank, National Association
Charter Number 24661

2120 Kings Highway
Port Charlotte, FL 33980

Office of the Comptroller of the Currency

4042 Park Oaks Blvd
Suite 240
Tampa, FL 33610

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 major factors that support this rating include:

- *The bank’s level of lending, as reflected in the bank’s quarterly average net loan-to-deposit ratio is reasonable given the bank’s size and performance context factors.*
- *A majority of the bank’s business and home mortgage loans originated over the evaluation period was within its combined assessment areas.*
- *Overall, the bank’s lending activities shows reasonable penetration among businesses of different sizes given the performance context.*
- *The geographic distribution of business loans reflects a reasonable dispersion among the various income geographies given the performance context.*

Scope of Examination

This Performance Evaluation (PE) assesses the bank’s record of meeting the credit needs of the community in which it operates. We used the Small Bank Community Reinvestment Act (CRA) examination procedures, which evaluates the bank’s record of meeting the credit needs of its assessment areas (AAs) through its lending activities.

The overall evaluation period started on June 23, 2009, the cut-off date of the prior evaluation date, to December 31, 2013, with the exception of lending to businesses of different sizes and business lending throughout the geographies, which we used loan originations for the period of January 1, 2012 through December 31, 2013.

Based on discussions with bank management and the volume of loan originations during the evaluation period, we determined the bank’s primary loan product is business lending as noted in the table below.

Loan Originations for the time period of 1/1/2012-12/31/2013		
Loan Type	Number of originations	Percentage (%)
Business Loans	229	77%
Home Mortgage Loans	69	23%
Total originations	298	100%

During the evaluation period, the bank originated 229 business loans and 69 home mortgage loans in its combined AAs. As such, in evaluating the bank’s lending performance, we will focus on business lending, as this was more representative of its lending strategy during the evaluation period.

For our examination, we relied on 2012 and 2013 Home Mortgage Disclosure Act (HMDA) information and 2012 and 2013 business loan origination reports generated by the bank. We performed a data integrity review on the business and HMDA loans last year and during our CRA examination and determined this information was accurate and reliable for use in our lending analysis.

The bank has four AA's, all located in Southwest Florida. We selected the Naples and the Lee County AAs as the full-scope areas based on its significance to the bank in terms of the number of bank offices, volume of loans originated during the evaluation period and deposits. Of total business loans originated during the evaluation period, 61 percent were in the Naples AA and 34 percent originated in the Lee County AA. Both AAs have two office locations each. Of total deposits as of December 31, 2013, 52 percent are in the Naples AA and 17 percent are in the Lee County AA. The Charlotte County and the Sun City Center AAs will be evaluated using limited-scope procedures.

Description of Institution

Encore Bank, National Association, (Encore) is an intrastate bank located in Port Charlotte, Florida. The bank is a wholly owned subsidiary of Ovation Holding Company, a one-bank holding company headquartered in Naples, Florida. The bank was established in June 2007 under the name The National Bank of Southwest Florida. In January 2011, the bank was reorganized under the name of Encore National Bank along with the acquisition of four Florida branches of the Houston, Texas based Encore Bank, N.A. In December 2012, the bank expanded its operations by acquiring two additional Florida branch locations from Iowa based Liberty Bank. On December 31, 2013, the bank changed its name again to Encore National Bank, N.A. The bank's presence is generally Naples, where the holding company is located, and in Lee County. However, based on its charter location, Encore's main office is technically in Port Charlotte, Florida.

Encore operates six banking offices. Two offices are located in the Naples AA (Naples); two offices are located in the Lee County AA (Fort Myers and Bonita Springs); one office is located in the Charlotte County AA (Port Charlotte); and, the remaining office is located in Sun City Center. Due to the close proximity of offices in Naples with the Liberty Bank branches acquisition, an office in an upper-income geography was closed on February 8, 2013.

Encore offers a variety of deposit and loan products for individuals and businesses. Banking services include online and telephone banking, onsite automated teller machines (ATM) access, drive-up facilities and remote deposit capture. The bank's primary focus during the evaluation period is loans for business purposes. Encore is a U.S. Small Business Administration (SBA) lender, which allows the bank to address the lending needs of small businesses throughout the bank's AAs. Since the prior CRA exam in 2009, the bank originated 10 SBA loans totaling \$6.1 million in which seven loans totaling \$5.5 million were originated in 2012 and 2013; five in the AAs and included in the lending performance analysis.

As of December 31, 2013, the bank had total assets of \$350 million and total deposits of \$306 million. Total loans (net of unearned income and allowance) which represent 49 percent of total assets, equaled \$172 million. The loan portfolio, as charted below, consists of 76 percent business loans (including construction), 20 percent residential mortgage loans and 4 percent consumer loans. During the evaluation period, the bank faced some challenges to its ability to help meet the credit needs in its assessment area. The financial crisis had a negative impact on the local economies, and subsequent slow recover, thus negatively affecting the bank's ability to originate new loans within its assessment areas.

Composition of the Loan Portfolio as of 12/31/13		
Loan Type	Dollar Amount (000)	Percentage (%)
Commercial and Commercial RE	\$131,380	76%
Residential RE	\$34,204	20%
Consumer	\$6,548	4%
Total Loans	\$172,132	100%

There are no financial or legal impediments that would prevent the bank from meeting the credit needs of the community it serves. However, it is important to note the State of Florida that includes all of Encore's AAs have previously experienced significant job losses, a volatile housing market and a record number of delinquencies, foreclosures and bankruptcies. Although the AAs have seen recent economic improvement, the recovery process has been slow.

The preceding CRA evaluation dated June 22, 2009 indicated the bank received a "Satisfactory" rating.

Description of Assessment Areas

Selection of Areas for Full Scope Review

Description of the Naples Assessment Area

This assessment area (AA), which is part of the Naples-Marco Island Metropolitan Statistical Area (MSA) #34940, is located on the Southwest coast of Florida. The AA consists of a portion of Collier County (38 census tracts) to include the city of Naples. Naples is the principal city in the MSA. The bank has two offices in the AA; both are located in Naples in upper-income census tracts. Both offices have drive-up facilities and ATMs. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low - or moderate-income geographies.

Specific demographic and economic data for the assessment area are detailed on the following page.

Demographic and Economic Characteristics of the Naples AA			
Population		Geographies	
Total Persons	126,646	Number of Census Tracts	38
Number of Households	55,877	% Low-Income Census Tracts (1)	2.63%
Median Family Income (MFI)	\$65,700	% Moderate-Income Census Tracts (7)	18.42%
<i>Based on MFI</i>		% Middle-Income Census Tracts (13)	34.21%
Low-Income individuals earn	<\$32,850	% Upper-Income Census Tracts (17)	44.74%
Moderate-Income individuals earn	\$32,851-\$52,560	% NA Census Tracts (0)	
		Businesses	
Number of Families-35,051		Number of Businesses located in the AA	33,541
		% of Small Businesses located in the AA	71.29%
		% of Large Businesses	2.99%
		% of Business with no revenues reported	25.72%
		% of Biz in Low-Income Census Tracts	189
		% of Biz in Moderate-Income Census Tracts	3,973
		% of Biz in Middle-Income Census Tracts	12,785
		% of Biz in Upper-Income Census Tracts	16,594
<i>Source: 2010 Census, 2013 FFEIC Median Family Income data and 2013 Dunn and Bradstreet data</i>			

According to the 2010 U.S. Census Bureau economic data, the assessment area has a total population of 126,646. Approximately 33 percent of the population is over the age of 65 and 27 percent are retired. The AA is also reporting 7.54 percent of households live below the poverty level. Housing units in the AA total 90,189 with 47.18 percent of total units are owner-occupied. Over 38 percent or 34,312 housing units are vacant. Based on 2013 Dunn and Bradstreet demographic data there are 33,541 non-farm businesses that reported revenues throughout the AA of which 23,912 or 71.29 percent are small businesses.

Naples has long been known for attracting tourists and retirees to its beaches along the Gulf of Mexico. Additionally due to its proximity to the Everglades, Naples is also popular among Eco tourists. The attractive quality of life and numerous upscale amenities and services makes Naples a desirable second home destination, many whom are affluent and own several homes nation and worldwide. The AA is among Florida’s affluent with median household incomes well above the statewide averages. The U.S. Bureau of Economic Analysis noted in 2012, Collier County ranked first in the state of per capita personal income and above the national average. Real estate prices are also very high which contributes to a higher cost of living than most Florida cities.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA has been adversely impacted in the last several years due to high unemployment rates, foreclosures, and significant declines in house values, especially in the Naples AA in which the effects of the housing bust were significantly impacted. As a result, economic growth rates in the AA were reported as below state-wide and nationwide figures.

The AA is highly dependent on tourism and the retirement population and demographic trends generally relate to the second home and retirement properties, making the service and retail sectors very important. Major employers in the AA include Naples Community Hospital, Inc., Publix Supermarkets, Marriott International, Inc. and Wal-Mart Stores, Inc. Unemployment rates in the AA during the evaluation period were historically much higher than the national rate. However, the 2012-2013 indicators suggested that the AA was starting to exhibit signs of economic recovery as evidenced in the continuous unemployment rate-declining trend. According to the U.S. Department of Labor, Bureau of Labor Statistics information (not seasonally adjusted), the unemployment rate for Collier County, which contains Naples, reached 11.4 percent in December 2009, compared with the statewide and nationwide rates of 11.2 percent and 9.7 percent, respectively. However, the unemployment rate has significantly improved by December 2013, with an unemployment rate of 5.4 percent in December 2013, which is similar to the statewide rate of 5.9 percent and below the nationwide rate of 6.5 percent.

Real estate and real estate development were key economic demographic drivers prerecession, but slowed greatly during the recession period, adversely affecting the economy in the AA and below statewide and nationwide indicators during the worst of the housing bust. However, the Census Bureau reports in 2012 and 2013 show improvement in single-family and multifamily permits that has positively impacted the AA's economy and overall growth rates. Data reported from the Census Bureau shows in the pre-recession period, there were 4,788 single-family and multifamily permits issued in Naples in comparison to 2009 of 944. Although building permits have doubled in the period of 2012-2013 from 2009 levels with 1,612 and 2,484 total permits respectively, growth levels still remain below pre-recession figures.

As throughout the country and Florida, the housing crisis had a negative impact on real estate values in the AA during the evaluation period. According to *RealtyTrac*, the State of Florida ranked as the top state for foreclosures nationwide for the period of 2012 and 2013 with the trend continuing in 2014. The AA experienced a volatile housing market in the past as home values quickly escalated and declined in a short period. In 2013, foreclosures and short sales continue to impact home values in the AA, as many homeowners are still under water on their mortgages given that home prices, while rising are still well below its peak. However, there were signs of recovery during 2012 and 2013 as home values have improved in the AA.

According to data from the National Association of Realtors, the median sales price for an existing single-family home in the Naples-Marco Island, MSA, which contains the bank's AA, increased to \$310,900 from \$253,500 from the same period in 2012. According to *Zillow*, the estimated median home value as of March 2014 for Naples was \$658,700 or a 14.3 percent increase from the same period last year and a 17.7 percent increase since December 2009. The estimated median home value at its peak in March 2006 was \$899 thousand. In Naples, the percent of delinquent mortgages and homeowners underwater on their mortgage is 10.6 percent (higher than national average of near 8 percent) and 19.6 percent, respectively. Additionally, as of April 2014, *RealtyTrac* is reporting 3,217 properties in Naples that are in some stage of

foreclosure and every 804 housing units received a foreclosure filing as of April 2014, which is 27% higher than the previous month and 43% higher than the same time last year.

There is significant banking competition for financial services in the AA consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation, as of June 30, 2013 there were 36 financial institutions operating in 142 offices within the AA. Encore is ranked 17th among banks with a 1.33 percent deposit market share. Major competitors include Fifth Third Bank, Wells Fargo Bank N.A., KeyBank, N.A., Bank of America N.A., and Iberia Bank, which combined represent a 56.48 percent deposit market share.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's assessment areas to gain insight regarding local economic conditions and credit needs. We performed a follow-up interview to an existing community contact completed in 2011. The organization we contacted serves the bank's AAs, specifically Collier, Lee and Charlotte Counties. The organization helps small business owners take advantage of new opportunities to grow their business through a diverse collection of programs and services. According to this contact, one of the most pressing financial needs facing small businesses in the AAs include access to capital funding. Opportunities for financial institutions include offering small dollar amount loans to small businesses, especially in amounts under \$100,000. Additionally, there are opportunities for banks to collaborate with the few microloan programs that are available in the area.

Description of the Lee County Assessment Area

This assessment area (AA) which is part of the Cape Coral-Fort Myers Metropolitan Statistical Area (MSA) #15980 is located in Southwest Florida. The county seat for Lee County is Fort Myers. The AA consists of portions of Lee County (76 census tracts) and includes the contiguous cities and towns of Bonita Springs, Captiva Island, Estero, Fort Myers, Fort Myers Beach and Sanibel Island. The bank has two offices in the AA; one office is located in Fort Myers and the other office is located in Bonita Springs. Both offices offer drive-up facilities as well as ATMs. Both offices are located in middle-income census tracts. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2010 U.S. Census Bureau economic data, the assessment area has a total population of 261,193. Approximately 27 percent of the population is over the age of 65 and 26 percent are retired. The AA is also reporting 10.75 percent of households live below the poverty level. Housing units in the AA total 181,393 with 44.18 percent of total units are owner-occupied. Close to 38 percent or 68,813 housing units are vacant. Based on 2013 Dunn and Bradstreet demographic data there are 49,325 non-farm businesses that reported revenues throughout the AA of which 35,467 or 71.90 percent are small businesses.

Specific demographic and economic data for the assessment area are detailed on the following page.

Demographic and Economic Characteristics of the Lee County AA			
Population		Geographies	
Total Persons	261,193	Number of Census Tracts	76
Number of Households	112,580	% Low-Income Census Tracts (5)	6.58%
Median Family Income (MFI)	\$56,300	% Moderate-Income Census Tracts (12)	15.79%
<i>Based on MFI</i>		% Middle-Income Census Tracts (30)	39.47%
Low-Income individuals earn	<\$28,150	% Upper-Income Census Tracts (29)	38.16%
Moderate-Income individuals earn	\$28,151-\$45,040	% NA Census Tracts (0)	
		Businesses-non-farm	
		Number of Businesses located in the AA	49,325
		% of Small Businesses located in the AA	71.90%
		% of Large Businesses	3.14%
		% of Business with no revenues reported	24.96%
		% of Biz in Low-Income Census Tracts	3,562
		% of Biz in Moderate-Income Census Tracts	7,557
		% of Biz in Middle-Income Census Tracts	19,213
		% of Biz in Upper-Income Census Tracts	18,993
Number of Families-69,739			
<small>Source: 2010 Census, 2013 FFEIC Median Family Income data and 2013 Dunn and Bradstreet data</small>			

The cities and towns that comprise the AA have been identified as worldwide popular tourist designations and retirement communities situated along the Gulf of Mexico in Southwest Florida. The Boston Red Sox and Minnesota Twins Major League Baseball Teams also hold their annual spring training in the Fort Myers area. Although the economy in the AA is highly dependent on tourism and the retirement population, making the service and retail sectors very important and sensitive to national business cycles, Lee County has been focusing on diversifying its economic base by attracting a favorable environment for other industries. According to *Moody's Analytics*, November 2013 report, a pro-business government and favorable business costs have helped attract and retain businesses. One of the recent economic events in the AA was the Hertz Corporation announcing in 2013 the relocation of its worldwide headquarters to the city of Estero from New Jersey. The benefit for the AA includes the creation of over 700 employment opportunities over three years, with an economic impact estimated at \$300 million. Other major employers in the AA include Lee Memorial Hospital, Lee County Public School District, Publix Super Markets, Lee County Administration and Wal-Mart.

Unemployment rates in the AA during the evaluation period were historically much higher than the national rate. However, the 2012-2013 indicators suggested that the AA was starting to exhibit signs of economic recovery as evidenced in the continuous unemployment rate-declining trend. According to the U.S. Department of Labor, Bureau of Labor Statistics information (not seasonally adjusted), the unemployment rate for Lee County reached 12.6 percent in December 2009, compared with the statewide and nationwide rates of 11.2 percent and 9.7 percent, respectively. However, the unemployment rate has significantly improved by December 2013, with an

unemployment rate of 5.7 percent, similar to the statewide rate of 5.9 percent and below the nationwide rate of 6.5 percent.

Real estate and real estate development were a key factor in the AA's economy prior to the recession, but had slowed and has slightly picked up again during 2012-2013. The Census Bureau reported that in the pre-recession period of 2007, there were 5,905 single-family and multifamily permits issued in Lee County in comparison to 2009 of 944. Although building permits doubled in the period of 2012-2013 from 2009 levels with 2,043 and 4,140 total permits respectively, growth levels still remain below pre-recession figures.

As throughout the country and Florida, the housing crisis had a negative impact on real estate values in the AA during the evaluation period. According to *RealtyTrac*, the State of Florida ranked as the top state for foreclosures nationwide for the period of 2012 and 2013 with the trend continuing in 2014. The AA experienced a volatile housing market in the past as home values quickly escalated and declined in a short period. In 2013, foreclosures and short sales continue to impact home values in the AA, as many homeowners are still under water on their mortgages given that home prices, while rising are still well below its peak. However, there were signs of recovery during 2012 and 2013 as home values have improved in the AA.

According to data from the National Association of Realtors, the median sales price for an existing single-family home in the Cape Coral-Fort Myers, MSA, which contains the cities in the bank's AA, increased to \$165,200 in 2013 from \$128,100 from the same period in 2012. According to *Zillow*, the estimated median home value as of March 2014 for Lee County was \$164,600 or an 11.4 percent increase from the same period last year and an 18.6 percent increase since December 2009. The estimated median home value at its peak in March 2006 was \$298 thousand. The percent of delinquent mortgages and homeowners underwater on their mortgage is 12.6 percent (higher than national average of near 8 percent) and 22 percent, respectively. Additionally, as of April 2014, *RealtyTrac* is reporting 2,553 properties that are in some stage of foreclosure and every 652 housing units in Fort Myers received a foreclosure filing as of April 2014, which is unchanged from the same time last year.

There is significant banking competition for financial services in the AA consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation, as of June 30, 2013 there were 35 financial institutions operating in 158 offices within the AA. Encore is ranked 26th among banks with a 0.52 percent deposit market share. Major competitors include Wells Fargo Bank N.A., Bank of America N.A., SunTrust Bank, Fifth Third Bank and Branch Banking and Trust Company, which combined represent a 56.25 percent deposit market share.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's assessment areas to gain insight regarding local economic conditions and credit needs. Refer to our Naples AA contact above as the credit needs for small businesses and opportunities for financial institutions in the Lee County AA were noted in the contact and noted as similar to Naples.

LIMITED-SCOPE ASSESSMENT AREAS:

Description of the Charlotte County Assessment Area

The Charlotte County assessment area (AA), which is part of the Punta Gorda MSA # 39460, is located in Southwest Florida. The county seat is the city of Punta Gorda. The AA consists of a portion of Charlotte County (23 census tracts) and includes the contiguous cities of Port Charlotte and Punta Gorda. The bank’s main office and only office in the AA is located in Port Charlotte. The office offers a drive-up facility as well as an ATM and is located in a middle-income census tract. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific demographic and economic data for the assessment area are detailed below.

Demographic and Economic Characteristics of the Charlotte County AA			
Population		Geographies	
Total Persons	89,469	Number of Census Tracts	23
Number of Households	41,064	% Low-Income Census Tracts (0)	0.00%
Median Family Income (MFI)	\$53,100	% Moderate-Income Census Tracts (3)	13.04%
<i>Based on MFI</i>		% Middle-Income Census Tracts (14)	60.87%
Low-Income individuals earn	<\$26,550	% Upper-Income Census Tracts (6)	26.09%
Moderate-Income individuals earn	\$26,551-\$42,480	% NA Census Tracts (0)	
Number of Families-26,195		Businesses-non-farm	
		Number of Businesses located in the AA	13,575
		% of Small Businesses located in the AA	73.13%
		% of Large Businesses	2.06%
		% of Business with no revenues reported	24.81%
		% of Biz in Low-Income Census Tracts	0.00%
		% of Biz in Moderate-Income Census Tracts	1,644
		% of Biz in Middle-Income Census Tracts	9,086
% of Biz in Upper-Income Census Tracts	2,845		
<i>Source: 2010 Census, 2013 FFEIC Median Family Income data and 2013 Dunn and Bradstreet data</i>			

According to the 2010 U.S. Census Bureau economic data, the assessment area has a total population of 89,469. Approximately 33 percent of the population is over the age of 65 and 35 percent are retired. The AA is also reporting 11.48 percent of households live below the poverty level. Housing units in the AA total 54,426 with 59.96 percent of total units are owner-occupied. Over 24 percent or 13,362 housing units are vacant. Based on 2013 Dunn and Bradstreet demographic data there are 13,575 non-farm businesses that reported revenues throughout the AA of which 9,928 or 73.13 percent are small businesses.

The AA is known as a retirement community as well as a tourist designation due to its close proximity to the Gulf of Mexico and the Charlotte Harbor, Florida’s second largest

estuarine system. In addition, the Tampa Bay Rays Major League Baseball Team holds its spring training in Port Charlotte. According to *U.S. News & World Report*, Port Charlotte was listed as one of the ten best places to retire for the year 2012. Lower living costs in comparison to other Gulf Coast areas, low business costs and an increase in tourism, as resulted in moderate economic growth in the AA for the period of 2012- 2013.

Similar to most cities and counties in Florida, the AA's had been negatively impacted by high unemployment rates and falling home prices during the recent economic recession and still has yet to fully recover. According to *Moody's Analytics* November 2013 report, the AA is heavily relying on low-paying retail and service employment as well the effects of the housing market exposure. It was also noted that retiree dependency is also significant to the overall economy in the AA. Major industries in the AA include state and local government, restaurants and hospitals. Top employers include Wal-Mart, St. Joseph Preferred Healthcare, Fawcett Memorial Hospital and Publix Supermarkets.

Unemployment rates in the AA during the evaluation period were historically much higher than the national rate. However, the 2012-2013 indicators suggested that the AA was starting to exhibit signs of economic recovery as evidenced in the continuous unemployment rate-declining trend. According to the U.S. Department of Labor, Bureau of Labor Statistics information (not seasonally adjusted), the unemployment rate for Charlotte County, which includes Port Charlotte and Punta Gorda reached 12.2 percent in December 2009, compared with the statewide and nationwide rates of 11.2 percent and 9.7 percent, respectively. However, the unemployment rate has significantly improved by December 2013, with an unemployment rate of 5.7 percent, similar to the statewide rate of 5.9 percent and below the nationwide rate of 6.5 percent.

As throughout the country and Florida, the housing crisis had a negative impact on real estate values in the AA during the evaluation period. According to *RealtyTrac*, the State of Florida ranked as the top state for foreclosures nationwide for the period of 2012 and 2013 with the trend continuing in 2014. The AA experienced a volatile housing market in the past as home values quickly escalated and declined in a short period. Foreclosures and short sales may still affect home values in the AA, as many homeowners are still under water on their mortgages given that home prices, while rising are still below peak. However, there were signs of recovery during 2012 and 2013 as home values have improved in the AA. According to data from the National Association of Realtors, the median sales price for an existing single-family home in the Punta Gorda MSA, which contains the cities of Port Charlotte and Punta Gorda, increased to \$136,900 in 2013, an increase from \$114,800 from the same period in 2012. According to *Zillow*, the estimated median home value as of March 2014 for Port Charlotte was \$116,800 or a 17.3 percent increase from the same period last year and a 14.4 increase since December 2009. The estimated median home value at its peak in April 2006 was \$209 thousand. The percent of delinquent mortgages and homeowners underwater on their mortgage is 14.9 percent (higher than national average of near 8 percent) and 25.4 percent, respectively. Additionally, as of April 2014, *RealtyTrac* is reporting 1,823 properties that are in some stage of foreclosure and every 458 housing

units in Port Charlotte received a foreclosure filing as of April 2014, which is 48% lower than the same time last year.

Banking is competitive in Port Charlotte and Punta Gorda and includes larger regional and national banks. According to the Federal Deposit Insurance Corporation, as of June 30, 2013 there were 19 financial institutions operating in 48 offices within the AA. Encore is ranked 13th among banks with a 1.22 percent deposit market share. Major competitors include Wells Fargo Bank N.A., Bank of America N.A. and SunTrust Bank, which combined represent a 52.40 percent deposit market share.

Description of the Sun City Center Assessment Area:

The Sun City Center Assessment Area (AA), which is part of the Tampa – St. Petersburg-Clearwater, Florida MSA # 45300, is located in southern Hillsborough County and south of Tampa. The AA consists of eight census tracts in Hillsborough County. The bank has one branch in the AA located in Sun City Center. The branch has a drive-up teller facility and is located in a middle-income census tract. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific demographic and economic data for the assessment area are detailed below.

Demographic and Economic Characteristics of the Sun City Center AA			
Population		Geographies	
Total Persons	18,037	Number of Census Tracts	8
Number of Households	10,810	% Low-Income Census Tracts (0)	0.00%
Median Family Income (MFI)	\$56,800	% Moderate-Income Census Tracts (1)	12.50%
<i>Based on MFI</i>		% Middle-Income Census Tracts (6)	75.00%
Low-Income individuals earn	<\$28,400	% Upper-Income Census Tracts (1)	12.50%
Moderate-Income individuals earn	\$28,401-\$45,440	% NA Census Tracts (0)	
Number of Families-5,973		Businesses-non-farm	
		Number of Businesses located in the AA	1,680
		% of Small Businesses located in the AA	68.63%
		% of Large Businesses	1.67%
		% of Business with no revenues reported	29.70%
		% of Biz in Low-Income Census Tracts	0
		% of Biz in Moderate-Income Census Tracts	153
		% of Biz in Middle-Income Census Tracts	1,454
		% of Biz in Upper-Income Census Tracts	73
<i>Source: 2010 Census, 2013 FFEIC Median Family Income data and 2013 Dunn and Bradstreet data</i>			

According to the 2010 U.S. Census Bureau economic data, the assessment area has a total population of 18,037. Approximately 79 percent of the population is over the age of 65 and 55 percent are retired. The AA is also reporting 5.74 percent of households live below the poverty level. Housing units in the AA total 12,831 with 72.88 percent of

total units are owner-occupied. Over 15 percent or 2,021 housing units are vacant. Based on 2013 Dunn and Bradstreet demographic data there are 1,680 non-farm businesses that reported revenues throughout the AA of which 1,153 or 68.63 percent are small businesses.

Sun City Center is a retirement community situated between Tampa and Sarasota near Interstate 75. Sun City Center is an age-restricted community with lifestyle options for those ages 55 and over to include golf courses and a recreation center. Sun City Center also has several independent living communities. Because Sun City Center is situated within 10 miles of Tampa Bay and its waterfront restaurants and marinas, the area continues to grow. Housing prices in the AA will accommodate many income levels. Consumer services remain a leading industry for the area. Similar to most cities and counties in Florida, Sun City Center's economy had been negatively impacted by high unemployment rates and falling home prices during the recent economic recession and is still in the recovery phase.

Many of the employees working in the AA are from surrounding cities in Hillsborough County. Unemployment rates in the AA during the evaluation period were historically much higher than the national rate. However, the 2012-2013 indicators suggested that the AA was starting to exhibit signs of economic recovery as evidenced in the continuous unemployment rate-declining trend. According to the U.S. Department of Labor, Bureau of Labor Statistics information (not seasonally adjusted), the unemployment rate for Hillsborough County, which includes Sun City Center, reached 11.5 percent in December 2009, compared with the statewide and nationwide rates of 11.2 percent and 9.7 percent, respectively. However, the unemployment rate has significantly improved by December 2013, with an unemployment rate of 5.8 percent, similar to the statewide rate of 5.9 percent and below the nationwide rate of 6.5 percent.

As throughout the country and Florida, the housing crisis had a negative impact on real estate values in the AA during the evaluation period. According to *RealtyTrac*, the State of Florida ranked as the top state for foreclosures nationwide for the period of 2012 and 2013 with the trend continuing in 2014. The AA experienced a volatile housing market in the past as home values quickly escalated and declined in a short period. Foreclosures and short sales may still affect home values in the AA, as homeowners are still underwater on their mortgages. However, there were signs of recovery during 2012 and 2013 as home values have improved in the AA. According to *Zillow*, the estimated median home value as of March 2014 for Sun City Center was \$119,000 or a 12.2 percent increase from the same period last year and a 10.9 percent increase since December 2009. The estimated median home value at its peak in July 2006 was \$200 thousand. The percent of delinquent mortgages and homeowners underwater on their mortgage is 10.4% (higher than national average of near 8 percent) and 17.4%, respectively. Additionally, as of April 2014, *RealtyTrac*, is reporting 187 properties that are in some stage of foreclosure and every 806 housing units in Sun City Center received a foreclosure filing as of April 2014, which is 15% lower than the same time last year.

There is considerable amount of banking competition for financial services in Sun City Center consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation, as of June 30, 2013, there were 11 financial institutions operating in 11 offices within the AA. Encore is ranked fifth among banks with an 8.5 percent deposit market share. Major competitors include Wells Fargo Bank N.A., Bank of America N.A., SunTrust Bank and Branch Banking and Trust Company, which combined represent a 69.80 percent deposit market share.

Conclusions with Respect to Performance Tests

The Lending Test analysis that follows evaluates the bank's lending activity as described earlier in the scope section. The factors considered are as follows: (1) Loan-to-Deposit Ratio; (2) Lending in the Assessment Areas; (3) Lending to Businesses of Different Income Levels; (4) Geographic Distribution of Business Loans; and, (5) Response to CRA Complaints.

LENDING TEST

Encore's performance under the Lending Test is Satisfactory. In reaching our overall conclusion, primary consideration was given to performance in the Naples and Lee County AAs as a majority of the bank's activity and branches are located in the two AAs. As such, limited consideration was given to performance in the Charlotte County and the Sun City Center AAs. Based on its demographics and performance context, lending to businesses of different income levels and geographical dispersion of loans throughout the AAs, especially in low-and moderate-income locations is reasonable.

- **Loan-to-Deposit Ratio-Meets the Standard for Satisfactory Performance**

The bank's level of lending, as reflected in the bank's quarterly average net loan-to-deposit ratio (LTD), is reasonable given the bank's size and performance context factors.

The bank's quarterly average LTD ratio since the preceding CRA evaluation (19 quarters beginning with the second quarter of 2009) is 57.13 percent, ranging from a high of 78.92 percent in the second quarter of 2010 to a low of 37.05 percent in the second quarter of 2011. For the same period, Encore's quarterly average ratio of 57.13 percent is lower than the 73.08 percent ratio of six similarly situated banks (total assets above \$150 million and less than \$750 million conducting business throughout the 19 quarters) operating in the four assessment areas. The quarterly average high LTD ratio for these six banks for the 19 quarters was 99.39 percent and the low was 61.11 percent. Encore's lower quarterly average ratio is reflective of its business strategy of growing the bank conservatively, particularly through the acquisition of deposits from branches of other financial institutions. Weak economic conditions during the evaluation hampered loan demand during the evaluation period.

The average quarterly average LTD ratio for each similarly situated bank located in the four AAs is depicted in the table below:

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 12/31/2013)	Average Loan-to-Deposit Ratio
Encore Bank, National Association	\$349,862	57.13%
Calusa National Bank	\$155,876	73.70%
Charlotte State Bank & Trust	\$264,046	68.61%
Edison National Bank	\$239,583	62.60%
Sanibel Captiva Community Bank	\$253,456	99.39%
First National Bank of The Gulf Coast	\$742,289	61.11%

Source: Consolidated Reports of Condition and Income from June 2009 to December 2013.

- Lending in Assessment Area-Meets the Standard for Satisfactory Performance**

A majority of the bank's business and home mortgage loans originated over the evaluation period was within its combined assessment areas. This conclusion is based on an analysis of all business loans (229) and home mortgage loans (69) originated in 2012 and 2013. As detailed in the table below, 74.16 percent in number and 72.93 percent by dollar amount of originated loans were inside the assessment areas. This is reflective of Encore's business strategy of focusing on organic growth within the assessment areas.

Business and Home Mortgage Lending in Encore AAs										
Loan Type	Number of Loans					Dollars of Loans(000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	172	75.11	57	24.89	229	85,892	69.76	37,238	30.24	123,130
Home Mortgage	49	71.01	20	28.99	69	27,664	84.90	4,921	15.10	32,585
Totals	221	74.16%	77	25.84%	298	\$113,556	72.93%	\$42,159	27.07%	\$155,715

Source: 2012 and 2013 HMDA data and bank loan origination reports for 2012 and 2013.

- Lending to Borrowers of Different Incomes - Meets the Standard for Satisfactory Performance**

Overall, the bank's lending activities shows reasonable penetration among borrowers of different sizes given the performance context. Our analysis is based on a bank report of all business loans originated in the AA (172) during 2012-2013. We compared the lending distribution of lending to small businesses in relation to all small businesses within the AAs. As noted previously, performance context issues made it difficult to provide loans to small businesses due to the previous weak economic conditions and the continuing impact to the AAs during the slow recovery stage. The economic crisis severely affected revenues for many businesses, which resulted in many business

failures, particularly small businesses. Further, as noted in the *Description of Assessment Areas* and explained in the tables below, competition to lend to small businesses is intense among the combined 98 different financial institutions operating in 365 offices within the four AAs. Included in the Naples and Lee County AAs analysis below are a total of SBA loans totaling \$3.6 million dollars.

Full-Scope Assessment Areas:

Borrower Distribution of Loans to Businesses in Naples AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.29%	2.99%	25.72%	100%
% of Bank Loans in AA by #	40.78%	34.95%	24.27%	100%
% of Bank Loans in AA by \$	39.89%	42.53%	17.58%	100%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses by Loan Size in Naples AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	40	38.84%	\$2,242,060	4.53%
\$100,001 - \$250,000	20	19.42%	\$3,580,613	7.23%
\$250,001 - \$500,000	14	13.59%	\$5,222,572	10.54%
\$500,001 - \$1,000,000	16	15.53%	\$12,244,995	24.72%
Over \$1,000,000	13	12.62%	\$26,243,248	52.98%

Source: Bank loan origination reports for 2012 and 2013.

Given the performance context, the bank’s level of lending to small businesses in the Naples AA is reasonable. As shown in the table above, the level of lending is lower than the percent of such businesses operating in the AA. The bank originated 40.78 percent of the total number of loans and 39.89 percent of the total dollar volume of loans to small businesses (businesses with gross annual revenues of \$1 million or less) which is much lower than the percentage of small businesses, 71.29 percent operating in the AA. However, as mentioned previously, the AA was significantly impacted by the economic crisis (the most severe of all AAs) and the recovery process has been slow.

Further, based on demographic data, there are 23,912 small businesses within the AA with 35 different financial institutions operating in 141 offices competing to lend to these businesses. Further, of the 103 business loans originated in the AA, 38.84 percent were in amounts of \$100,000 or less and 58.26 percent were in amounts of 250,000 or less, a further indication that the bank is meeting the credit needs of small businesses in the AA.

Based on our community contact, originating small dollar amount loans were identified as an ongoing credit need for small businesses. Further, included in the above analysis was one SBA loan totaling \$250,000 that was made to a small business as defined above.

Borrower Distribution of Loans to Businesses in Lee County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.90%	3.14%	24.96%	100%
% of Bank Loans in AA by #	53.34%	28.33%	18.33%	100%
% of Bank Loans in AA by \$	74.64%	18.88%	6.48%	100%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses by Loan Size in Lee County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	13	21.67%	\$889,186	2.63%
\$100,001 - \$250,000	18	30.00%	\$3,303,955	9.79%
\$250,001 - \$500,000	13	21.66%	\$4,539,984	13.44%
\$500,001 - \$1,000,000	7	11.67%	\$4,844,817	14.35%
Over \$1,000,000	9	15.00%	\$20,189,793	59.79%

Source: Bank loan origination reports for 2012 and 2013.

As shown in the table above, the level of lending is lower than the percent of such businesses operating in the AA. The bank originated 53.34 percent of the total number of loans and 74.64 percent of the total dollar volume of loans to small businesses (businesses with gross annual revenues of \$1 million or less) which is lower than the percentage of small businesses operating in the AA. Given the performance context, the bank's level of lending to small businesses in the Lee County AA is reasonable.

As mentioned previously, the AA was significantly impacted by the economic crisis and the recovery process has been slow. Additionally, based on demographic data, there are 35,467 small businesses within the AA with 34 different financial institutions operating in 156 offices competing to lend to these businesses. The bank's lending pattern indicates reasonable efforts to generate loans including two SBAs loan totaling \$820,000 made to two small businesses as defined above. Further, of the 60 business loans originated in the AA, 51.67 percent were in amounts of \$250,000 or less, a further indication that the bank is meeting the credit needs of small businesses in the AA. Based on our community contact, originating small dollar amount loans were identified as an ongoing credit need for small businesses.

Limited-Scope Assessment Areas:

Borrower Distribution of Loans to Businesses in Charlotte County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.13%	2.06%	24.81%	100%
% of Bank Loans in AA by #	62.50%	12.50%	25.00%	100%
% of Bank Loans in AA by \$	52.14%	44.04%	3.82%	100%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses by Loan Size in Charlotte County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	4	50.00%	\$259,535	10.63%
\$100,001 - \$250,000	0	0.00%	\$0.00	0.00%
\$250,001 - \$500,000	2	25.00%	\$595,256	24.39%
\$500,001 - \$1,000,000	1	12.50%	\$511,000	20.94%
Over \$1,000,000	1	12.50%	\$1,075,000	44.04%

Source: Bank loan origination reports for 2012 and 2013.

Given the performance context, the bank's level of lending to small businesses in the Charlotte County AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the bank originated 62.50 percent of the total number of loans and 52.14 percent of the total dollar volume of loans to small businesses (businesses with gross annual revenues of \$1 million or less) which is slightly lower than percentage of small businesses operating in the AA. Additionally, based on demographic data, there are 9,928 small businesses within the AA with 18 different financial institutions operating in 47 offices competing to lend to these businesses. Further, of the eight loans originated in the AA, 50 percent were for amounts \$100,000 or less, a further indication that the bank is meeting the credit needs of small businesses. Based on our community contact, originating small dollar amount loans were identified as an ongoing credit need for small businesses.

Borrower Distribution of Loans to Businesses in Sun City Center AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.63%	1.67%	29.70%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses by Loan Size in Sun City Center AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000				
\$100,001 - \$250,000	1	100.00%	\$150,000	100%
\$250,001 - \$500,000	0	0.00%	0	0.00%
\$500,001 - \$1,000,000	0	0.00%	0	0.00%
Over \$1,000,000	0	0.00%	0	0.00%

Source: Bank loan origination reports for 2012 and 2013.

Given the performance context, the bank's level of lending to small businesses in the Sun City Center AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the percentage of the bank's business loans to small businesses (businesses with gross annual revenues of \$1 million or less) exceeds the percentage of small businesses operating in the AA. According to the demographic data, businesses in the AA that reported revenues, 68.63 percent are small businesses.

In addition, the one loan originated in the assessment area during the evaluation period, was in an amount less than \$250,000, indicating the bank is meeting the credit needs of small businesses.

Geographic Distribution of Loans-Meets the Standard for Satisfactory Performance

- *The geographic distribution of business loans reflects a reasonable dispersion among the various income geographies, given the performance context.*

Our analysis was based on the same business loans as discussed in the borrower distribution analysis above. Although the bank did not lend in all geographies in the four AAs, we did not identify any conspicuous gaps that could not be explained by the performance context, including the location of Encore’s branches and the level of competition in the AAs.

Full-Scope Assessment Areas:

Geographic Distribution of Loans to Businesses in Naples 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
Businesses	0.56%	0.00%	11.85%	5.82%	38.12%	40.78%	49.47%	53.40%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Lending levels throughout Naples AA are reasonable in comparison with business geographic distributions. As noted in the table above, the bank did not lend in the one low-income geography located in the AA, which is reasonable, given the small percentage of lending and there are no offices located in low-income geographies.

In moderate-income geographies, the percentage of the bank’s business lending reflects reasonable penetration although below the percentage of businesses operating in such geographies. As previously noted there is a high level of banking competition in the assessment area, and further loan demand was hampered during this assessment period due to unemployment rates, foreclosures and significant declines in house values particularly in the Naples AA.

As reflected above, the bank extended 5.82 percent of its business loans to businesses that are located in moderate-income geographies. By comparison, these census tracts account for 11.85 percent of all businesses within the AA with 36 different financial institutions operating in 153 offices competing to lend to these businesses.

Geographic Distribution of Loans to Businesses in Lee 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
Businesses	7.22%	5.00%	15.32%	20.00%	38.95%	40.00%	38.51%	35.00%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Lending levels throughout Lee County are reasonable. As shown in the table above, the level of lending in the seven (6.58% of total census tracts in the AA) low-income geographies is slightly lower than the percentage of businesses operating in those geographies. The bank extended 5 percent of its business loans to businesses that are located in low-income geographies. This level of lending is considered reasonable, as there are no offices located in low-income census tracts. Both offices are located in middle-income geographies. The percentage of the bank’s lending in moderate-income geographies exceeds the percentage of businesses operating in such geographies. The bank extended 20 percent of its business loans to businesses that are located in moderate-income geographies.

Limited-Scope Assessment Areas:

Geographic Distribution of Loans to Businesses in Charlotte 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
Businesses	0.00%	0.00%	12.11%	25.00%	66.93%	62.50%	20.96%	12.50%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Given the performance context, the bank’s level of lending in low- and moderate-income geographies in the Charlotte County AA is not inconsistent with the bank’s performance under the lending test. As shown in the table above, the bank did not lend in low-income geographies, which is reasonable as there are no low-income geographies in the AA and the bank has no offices located in such geographies. The one office is located in a middle-income geography. In moderate-income geographies, the percentage of the bank’s lending exceeds the percentage of businesses operating in such geographies.

Geographic Distribution of Loans to Businesses in Sun City Center 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
Businesses	0.00%	0.00%	9.10%	0.00%	86.55%	100.00%	4.35%	0.00%

Source: Bank loan origination reports for 2012 and 2013 and 2013 Dunn and Bradstreet data.

Given the performance context and the limited-scope review, the bank's level of lending in low- and moderate-income geographies in the Sun City Center AA is not inconsistent with the bank's performance under the lending test. As shown in the table above, the bank did not lend in low-income and moderate-income geographies. However, based on the demographics of the AA, there are no low-income geographies. Additionally, there is only one moderate-income in the AA. As such, an analysis of the number and distribution of geographies would not be meaningful.

Responses to Complaints

There have been no CRA related complaints received by the bank or our office since the last CRA examination during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.