

PUBLIC DISCLOSURE

February 7, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hancock Bank of Florida
Certificate Number: 57819**

**101 North Monroe Street
Tallahassee, Florida 32301**

**Federal Deposit Insurance Corporation
10 Tenth Street, N.E., Suite 800
Atlanta, Georgia 30309-3906**

NOTE: 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Hancock Bank of Florida** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 7, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING: This institution is rated Satisfactory.

Examiners prepared the CRA evaluation of Hancock Bank of Florida pursuant to the small bank examination procedures for institutions with total assets of \$250 million or less. The bank's overall CRA performance demonstrates a satisfactory effort in providing for the credit needs of its assessment area, including small businesses, and low- and moderate-income areas. The rating is based on results under the following performance criteria:

- The average loan-to-deposit ratio of 77 percent reflects satisfactory responsiveness to the credit needs of the community;
- The bank's record of lending inside its assessment area is adequate as a majority of the number and dollar volume of small business loans were originated inside the assessment area;
- The geographic distribution of small business loans represents an adequate penetration throughout the assessment area, including low- and moderate-income areas;
- The distribution of credit among businesses of different sizes is reasonable considering the number of small businesses in the assessment area; and
- There have been no CRA-related complaints filed since inception of the bank.

Bank management did not request that its services and investments be reviewed for consideration of a higher rating.

DESCRIPTION OF INSTITUTION

Hancock Bank of Florida (Hancock Bank), founded March 12, 2004, is a state-chartered commercial bank headquartered in Tallahassee, Florida. The bank is a wholly-owned subsidiary of Hancock Holding Company, a three-bank holding company based in Gulfport, Mississippi. Substantially, the holding company and Hancock Bank share a common management team.

The bank serves Leon County through five offices and has been open for business less than two years. Two of the bank's offices are located in a low-income census tract and three offices are located in middle-income census tracts. As of December 31, 2005, Hancock Bank's total assets were \$123,676. Loans totaled approximately \$92 million, representing 74 percent of the bank's total assets. The institution provides for the credit needs of its community in a manner consistent with its size, financial capacity, location, resources, and local economic conditions. No financial or legal impediments hinder the bank's performance under the Community Reinvestment Act. The loan portfolio composition as of December 31, 2005 is presented in the following table.

Table 1. Hancock Bank of Florida's Loan Distribution, 12/31/05

Hancock Bank of Florida		
December 31, 2005		
LOAN TYPE	DOLLAR AMOUNT (\$000s)	PERCENT OF TOTAL LOANS
Construction and Land Development	\$18,943	21%
1-4 Family Residential	\$13,267	14%
Multi-Family (5 units or more) Residential	\$11,348	12%
Commercial Real Estate	\$29,909	33%
Total Real Estate Loans	\$73,467	80%
Commercial and Industrial	\$14,482	16%
Obligations of States and Political Subdivisions	\$3,000	3%
Consumer	\$953	1%
Other	\$25	0%
Total Loans	\$91,927	100%

Source: FDIC Report of Condition as of 12/31/05

Description of Institution - Continued

Hancock Bank faces strong competition from several national, regional, and local financial institutions operating in Leon County. The larger institutions with local offices include Bank of America, National Association, Charlotte, North Carolina; SunTrust Bank, Atlanta, Georgia; AmSouth Bank, Birmingham, Alabama; Branch Banking and Trust Company, Winston-Salem, North Carolina; and Wachovia Bank, National Association, Charlotte, North Carolina. Among the smaller institutions headquartered in Tallahassee are Capital City Bank, Tallahassee State Bank, The Bank of Tallahassee, and Premier Bank. Based on their proximity, business focus, and size, The Bank of Tallahassee is considered to be the bank's most similarly-situated competitor.

Due to its few years in operation and a highly competitive market, Hancock Bank has not reflected a profit since opening in 2004. For year-ends 2004 and 2005, the bank reflected returns of (-1.36) percent and (-0.19) percent, respectively, compared to peer earnings of (-22.83) percent and (-1.51) percent for the same time frames. Despite this lack of profitability, the bank has the support of a multi-billion dollar holding company and has retained excellent capital and liquidity positions to fund loan growth. As of December 31, 2005, the bank's Tier I capital of 24.21 percent compares favorably to the average peer ratio of 11.40 percent. Management expects the bank to become profitable in 2006 as it integrates efficiencies generated through the use of its holding company.

Since opening for business, management has focused primarily on the commercial and construction loan markets. However, the bank offers a full range of loan and deposit products to meet the needs of both consumers and businesses. The level of Hancock Bank's retail banking services is commensurate with other Florida financial institutions specializing in commercial banking activities. The bank maintains convenient lobby, drive-up, and automated teller machine services at its locations while providing a high level of personal service to its customers. In addition, the bank offers Internet Banking, bill payment, and loans by phone. Hancock Bank has not closed any offices since inception of the bank. The Board of Directors has approved a branch closing policy as required under Section 42 of the Federal Deposit Insurance Act. This is the bank's first CRA evaluation prepared by the FDIC since opening for business.

DESCRIPTION OF ASSESSMENT AREA

Hancock Bank of Florida has properly defined its assessment area in accordance with the technical requirements of the CRA regulation. The assessment area consists of all 48 census tracts in Leon County, which are located within the Tallahassee, Florida Metropolitan Statistical Area. There are 9 low-income census tracts (19 percent), 10 moderate-income census tracts (21 percent), 16 middle-income census tracts (34 percent), and 12 upper-income census tracts (26 percent). In addition, there

is one census tract designated NA. However, since this census tract does not contain any reported households or families, it is left out of further analysis. The assessment area does not arbitrarily exclude any low- or moderate-income geography.

Description of Assessment Area - Continued

Demographic and Economic Data

According to the 2000 U. S. Census, the population of the assessment area is 239,452 people comprising 54,796 families. From 1990 to 2000, the population of Leon County increased by more than 24 percent. The Department of Housing and Urban Development (HUD) estimates that the median family income for the Tallahassee, Florida MSA has increased from \$48,808 in 2000 to \$56,300 in 2005. Approximately 20 percent of the families in the assessment area are low-income, 15 percent are moderate-income, 21 percent are middle-income, and 44 percent are upper-income. Refer to Table 2 for a breakdown of the borrower income classifications for the Tallahassee, Florida MSA for 2005.

Table 2. Income Levels for Tallahassee, Florida MSA, 2005

Income Level	Percentage of Tallahassee, Florida MSA Median Family Income	2005 Income Limitations \$56,300
Low	Below 50 percent	Below \$28,149
Moderate	50 percent to 80 percent	\$28,150 to \$45,039
Middle	80 percent to 120 percent	\$45,040 to \$67,559
Upper	120 percent or higher	\$67,560 or higher

Demographics indicate that 5,164 families or 9 percent of those in the assessment area, live below the poverty level, and 2 percent of the households receive public assistance. In addition, 8 percent of the assessment area’s population is institutionalized persons. The substantial majority of these persons or families would experience difficulty in qualifying for a home loan or supporting a monthly mortgage payment. Refer to Table 3 for other select housing data by geography.

Table 3. Selected Housing Characteristics by Geography for Assessment Area, Hancock Bank of Florida

HANCOCK BANK – ASSESSMENT AREA									
Geographic Income Category	Percentage/Number						Median		
	Population	Farms	CTs	Families	Total Businesses	Owner-Occupied	Age	Home Value	Gross Rent
Low	18%	6%	19%	20%	12%	6%	26	\$53,854	\$489
Moderate	15%	9%	21%	15%	14%	11%	23	\$62,059	\$591
Middle	37%	42%	34%	21%	45%	42%	19	\$92,230	\$653

Upper	30%	43%	26%	44%	29%	41%	15	\$152,246	\$764
% or Median	100%	100%	100%	100%	100%	100%	18	\$114,446	\$599

Source: 2000 U. S. Census and 2005 Dun & Bradstreet data.

Business Climate:

Economic Performance:

According to Marisa Di Natale at *Economy.com*, the Tallahassee’s economy continues along a steady path of expansion, although many industries in the metro area have yet to recoup jobs lost during the recession. The metro area’s total employment level surpasses its pre-recession peak thanks to strong growth in the construction, government, and leisure/hospitality industries. All other industries remain below their peaks, although recent job growth has been broad-based among service industries and construction. Due to its reliance on the government sector, Leon County’s employment growth has been traditionally low. At 2.1 percent for the 3rd quarter of 2005, this figure lags behind the State of Florida but is comparable to the U.S. employment growth rate. The dropping unemployment rate, which stood at 3.3% in October, is accompanied by a rapidly rising labor force participation rate, indicating stronger labor market conditions.

Florida State University (FSU) and the Government Sector:

By a wide margin, the government is the largest employment sector in the assessment area. With approximately 8,784 employees, Florida State University is the area’s largest employer. FSU is attracting high-tech and defense-related business and research to the metro area, which could boost the potential for high-wage job growth in the area. Tallahassee’s share of high tech employment is greater than the state average and the potential for more high-wage, high-skill jobs will help to keep graduating students in the area and fuel job and wage growth. While the government sector will remain relatively insulated from macroeconomic shocks, the lack of industrial diversity will hamper growth and in-migration as residents and students choose to move to metro areas with greater private-sector job opportunities. University payrolls are beholden to the fiscal conditions of the state, which are healthy and have been boosted over the past year by the state’s booming housing market.

Retail trade:

Tallahassee’s retail trade payrolls have been stagnating for the past year and have not returned to their pre-recession levels. Retail spending likely received a boost in the fourth quarter as gas prices have dropped dramatically over the past two months. November’s survey of consumer confidence in Florida showed a ten-point increase in consumers’ perceptions of buying conditions as gas prices fell through October and November. Continued growth in enrollment at FSU and Florida A&M over the next few school years should also help to boost retail payrolls back up to their pre-recession levels by mid-2006. Moderate tuition increases of 5% to 6% per year for Florida residents will also help to put more money in students’ pockets.

Housing. Tallahassee has seen some of the most modest house-price growth in the state; where homeownership levels are lower than average due to the large student population. Still, in October house prices rose 19% over the year according to the Florida Association of Realtors, and sales were up 18%. The single-family market has been underpinning growth in Tallahassee housing market. Single-family permits continued their upward climb through October while multifamily permits have leveled off in recent months. Tallahassee is one of the few metro areas in Florida that is not overpriced and at risk of a correction by Moody's Economy.com estimates. This perceived balance between supply and demand in the market should ensure that Tallahassee's housing market will not falter as interest rates rise.

Community Contact

The contact stated that the assessment area has a continuous need for small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of Evaluation

Based on the bank's business focus and portfolio mix, commercial loans, including those secured by commercial real estate, comprise the largest segment of bank's lending activity. The December 31, 2005 Call Report indicates that these loan types represent approximately 49 percent of total loans. From January 1, 2005 through December 31, 2005, the bank originated a universe of 58 commercial and commercial real estate loans totaling \$8,269,000. From this universe, examiners selected a random sample of 31 commercial loans totaling \$3,495,000 to evaluate the bank's CRA performance.

Construction and land development loans are the second largest product type at 21 percent, and 1-4 family residential loans represent the third largest product at 14 percent. Since CRA focuses on lending to small businesses and farms, and for home mortgage purposes, construction and land development loans were not reviewed. In 2005, as reported on its home mortgage loan application register, the bank originated 48 loans totaling approximately \$17 million. However, eighty-two percent (or \$14 million) of the dollar amount of home mortgage loans are for business purposes. When analyzing the volume of commercial loans, the bank's consumer purpose mortgage activity is small in comparison. Therefore, examiners did not evaluate the bank's mortgage lending performance in this CRA evaluation. Further, since the bank has not originated any small farm loans since inception of the bank, a review of this loan product was not warranted during this evaluation.

Loan-to-Deposit Ratio

Hancock Bank's loan-to-deposit ratio is satisfactory considering its size, structure, and business focus. The loan-to-deposit ratio for the previous 7 quarters since opening averaged 77 percent. During the first two years of operations, the loan-to-deposit ratio ranged from a high of 103 percent to a low of 61 percent. The most recent ratio of 103 percent compares favorably to the peer average of 88 percent. This calculated figure uses net loans and leases, which excludes loan loss reserves and unearned income, divided by total deposits.

While peer ratios are based on national statistics, evaluating the bank's loan-to-deposit ratio against a similarly situated commercial bank headquartered in the Leon County provides a more targeted comparison. The Bank of Tallahassee has a similar size and business focus with an average loan-to-deposit ratio of 76 percent.

Lending in Assessment Area

The bank has originated a majority of its loans within its assessment area. Table 4 reflects the bank's record of lending within its assessment area. As Table 4 illustrates, 84 percent of the loans, by number, and 89 percent, by dollar volume, were originated inside the assessment area.

Table 4. Loan Originations Inside and Outside the Assessment Area, Hancock Bank of Florida

Hancock Bank of Florida 2005								
Loan Category or Type	Inside				Outside			
	Number of Loans		Dollars in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
Commercial	26	84%	\$3,118	89%	5	16%	\$377	11%

Source: Bank's Trial Balance

Lending to Businesses of Different Sizes

Hancock Bank has demonstrated a reasonable performance in lending to businesses of different sizes. Demographic data published by Dun and Bradstreet for 2005 indicates that 61 percent of the businesses in Leon County are small businesses. However, 35 percent of businesses in the assessment area did not report revenues. The CRA regulation defines a small business as an entity with gross annual revenues of \$1 million or less. As illustrated in Table 5, the bank extended 81 percent of the number and dollar volume of commercial loans to small businesses. Only those loans extended within the assessment area were included in the analysis.

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Lending to Businesses of Different Sizes - Continued

Table 5. Distribution of Commercial Loans Based on Business Revenues, Hancock Bank of Florida

Gross Annual Revenues (000s)	% of Businesses	Commercial Loans 2005			
		Number	%	Dollar (000s)	%
Less than \$1million	61%	21	81%	\$2,532	81%
\$1,000 or more	4%	5	19%	\$586	19%
Not reported	35%	0	0%	\$0	0%
Total	100%	26	100%	\$3,118	100%

Geographic Distribution of Lending

The geographic distribution of commercial loans originated by Hancock Bank is reasonable. The bank had adequate performance in lending in low-income geographies as 8 percent of the number and dollar volume was originated in low-income census tracts. This is lower than both the percentages of census tracts and small businesses in low-income geographies.

The lending performance in moderate-income census tracts was satisfactory as 11 percent of the number and 21 percent of the dollar volume of business loans were located in moderate-income geographies. Further, the dollar volume extended in moderate-income census tracts is higher than the percentage of small businesses and matches the percentage of census tracts in moderate-income geographies. Refer to Table 6 below for the complete geographic distribution in low-, moderate-, middle-, and upper-income census tracts. Only those loans extended within the assessment area were included in the analysis.

Table 6. Geographic Distribution of Commercial Loans, Hancock Bank of Florida

Hancock Bank of Florida 2005						
	Census Tracts	Small Businesses	Commercial Loans			
			#	%	\$(000)	%
Low	19%	12%	2	8%	\$255	8%
Moderate	21%	14%	3	11%	\$659	21%
Middle	34%	45%	14	54%	\$1,560	50%
Upper	26%	29%	7	27%	\$644	21%
Total	100%	100%	26	100%	\$3,118	100%

Response to Complaints

The bank has not received any complaints regarding its performance under the CRA since opening for business on March 12, 2004.

Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.

APPENDIX A - GENERAL CRA DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are

classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources

to arrive at an annual estimate that more closely reflects current economic conditions.