



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**February 28, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Wauchula  
Charter Number 14882**

**406 N 6th Avenue  
Wauchula, FL 33873**

**Comptroller of the Currency  
North Florida Field Office  
8375 Dix Ellis Trail, Suite 403  
Jacksonville, FL 32256**

**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.**

First National Bank of Wauchula has a loan-to-deposit ratio that is consistent with other banks in the area. The volume of lending within the assessment area is reasonable. Loans to borrowers of different incomes and to businesses of different sizes are satisfactory. The bank has not received any consumer complaints or public comments relative to CRA performance.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Wauchula [FNB] was chartered on January 12, 1960. The bank is headquartered in Wauchula, Hardee County, Florida. The bank is a wholly owned subsidiary of Hardee County, Inc., a one-bank holding company located in Wauchula. Until late 2004, FNB had two offices in Wauchula. Hurricanes severely damaged the branch office located in the Winn Dixie Supermarket, five miles north of the main office. Subsequently, the decision was made not to reopen that branch office. The main office provides an automated teller machine and drive-through banking services.

As of December 31, 2004, FNB had total assets of \$85 million. The bank's primary lending focus is residential mortgages and loans to small businesses. These represented 39% and 31%, respectively, of total loans outstanding as of December 31, 2004. There are no financial, legal or other impediments to the bank's ability to meet community credit needs. The evaluation period for this review is October 1999 through March 2005. The last CRA evaluation was performed in November 1999 when the bank received a rating of "Satisfactory".

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area (AA) for this evaluation consists of the four census tracts that comprise Hardee County. The AA includes the cities of Wauchula, Bowling Green and Zolfo Springs. Three of the four census tracts are middle-income; the remaining census tract is moderate-income. There are no low-income census tracts in the assessment area. This information is based on the 2000 Census Bureau median family income of \$36,689 for non-metropolitan areas of Florida. The total assessment area meets the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income census tracts.

The AA has a total population 29,638. Wauchula is the governmental and legal center of Hardee County. The economy of the area is primarily driven by agriculture. Major private employers include utility companies, phosphate and agricultural companies. Small businesses (those with revenues less than \$1 million) represent 61% of all businesses in the assessment area. Banking competition is limited to two other community banks operating offices in Hardee County. Sixty-two percent (62%) of the population is of working age (16 to 65 years); 71% are wage earners. In 2003, the unemployment rate was 9%<sup>1</sup>. The AA also has a significant percentage (20%) of persons living below the poverty level. This can be attributed to the large number of low-wage

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<sup>1</sup> Source: Enterprise Florida

farm workers who reside in the area. These circumstances were further impacted by hurricanes in 2004. Many businesses and homes were destroyed, increasing unemployment and housing-related needs in the area. During our examination, we met with a local charitable organization to discuss the needs of the community. Their information confirmed that housing assistance is one of the primary needs in this area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio**

The bank’s loan-to-deposit (LTD) ratio is reasonable. The bank’s average LTD ratio over the evaluation period was 79%. The quarterly ratios ranged between 67% and 87%. For comparison, we obtained the quarterly LTD ratios for a selected peer group. The peer group consisted of financial institutions headquartered in Hardee and Highlands counties. The resultant peer group totaled four banks. The average LTD ratio was 65% with a range between 59% and 82%.

- **Lending in Assessment Area**

The bank makes a majority of its loans within the assessment area. This conclusion is based on an analysis of loans originated during the evaluation period. The analysis included data provided by the bank for all loans made in 2003 and 2004. This totaled 1,191 loans. The analysis showed 88% of the total number of loans were made within the assessment area. We also sampled 49 loans for businesses or residential mortgages made during the evaluation period totaling \$2.7 million. The results of our sample are detailed in the table below.

| Loans In & Out of AA | By # of Loans |        | By \$ Volume of Loans |        |
|----------------------|---------------|--------|-----------------------|--------|
| Loans In AA          | 41            | 83.7%  | \$1,311,641           | 48.6%  |
| Loans Out of AA      | 8             | 16.3%  | \$1,388,343           | 51.4%  |
| Totals               | 49            | 100.0% | \$2,699,984           | 100.0% |

The disparity between the number and dollar volume of loans in the AA is attributed to two large loans made for property outside the AA. Although outside of the AA, the properties are located in neighboring Highlands and DeSoto Counties.

- **Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes**

FNB has reasonable penetration among individuals of different income levels. Our analysis used the residential mortgage loans originated within the assessment area from our sample discussed above. We then compared the income distribution of the bank’s borrowers to the income distribution of families within the assessment area, using updated median family income levels. The updated 2004 median family income for non-metropolitan areas of Florida is \$41,700 (as estimated by the Department of Housing and Urban Development). The findings are detailed below.

| Income Category      | By # of Loans | By \$ Volume of Loans | Families in the AA |
|----------------------|---------------|-----------------------|--------------------|
| Low                  | 19.0%         | 13.6%                 | 22.8%              |
| Moderate             | 9.5%          | 9.4%                  | 21.7%              |
| Middle               | 23.8%         | 21.9%                 | 20.2%              |
| Upper                | 42.9%         | 53.5%                 | 35.3%              |
| Income not available | <u>4.8%</u>   | <u>1.6%</u>           | <u>0.0%</u>        |
| Totals               | 100.0%        | 100.0%                | 100.0%             |

FNB has reasonable penetration among businesses of different sizes. We obtained annual revenue information for business loans used in our analysis. Our analysis determined that the bank makes loans to businesses of varying sizes within each assessment area, but particularly to small businesses (those with less than \$1 million in annual revenues). Eighty-five percent (85%) of the total number and 93% of the total dollar of business loans sampled were made to small businesses. In comparison, economic data shows 61% of all businesses in the MSA are considered small businesses. FNB also makes a large portion of their business loans in smaller dollar amounts. Our sample included loans with original amounts ranging from \$5,000 to \$900,000.

- **Geographic Distribution of Loans**

We did not perform an analysis of geographic lending patterns for FNB. Because three of the census tracts are middle-income and only one is moderate-income, an analysis of geographic distribution would not provide meaningful information. We did, however, review information provided by the bank. The bank's analysis showed that 13% of the number of loans made (in 2003 through 2004) was for property, businesses or consumers located in the moderate-income census tract.

- **Response to Complaints**

FNB received no complaints relative to Community Reinvestment Act performance.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

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