



## **INTERMEDIATE SMALL BANK**

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

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### **PUBLIC DISCLOSURE**

**June 15, 2006**

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

**The First National Bank of Florida  
Charter Number 18236**

**6512 Caroline Street  
Milton, FL 32570**

**Comptroller of the Currency  
New Orleans Field Office  
3838 North Causeway Boulevard, Suite 2890  
Metairie, LA 70002**

**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.**

**Lending Test: Satisfactory**

**Community Development Test: Satisfactory**

Factors supporting this rating include:

- First National Bank of Florida (FNB FL) has a reasonable loan to deposit ratio given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment areas.
- The distribution of borrowers reflects a reasonable penetration among businesses of different sizes. Lending to borrowers of different incomes is poor based on weak penetration to moderate-income borrowers in the Pensacola assessment area. FNB FL is primarily a commercial lender; therefore, residential real estate lending did not significantly impact overall conclusions.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Florida (FNB FL) is headquartered in Milton, Florida. FNB FL is an intrastate bank with eight branches including three in Pensacola, two in Pace, one in Milton, one in Navarre, and one in Destin. FNB FL has not been involved in any merger or acquisition activities during the evaluation period. The bank has no operating subsidiaries, and is not a subsidiary of a holding company. As of June 30, 2006, FNB FL reports total assets of \$429 million.

FNB FL provides both lending and deposit services. The bank provides a full range of commercial and consumer loans. FNB FL also offers mortgage loans, consumer loans, and small business loans. Lending is focused on real estate lending which comprises 92 percent of the loan portfolio. The composition of real estate loans includes construction at 42 percent, commercial related at 43 percent, and residential real estate at 11 percent. The majority of residential mortgage loans are sold in the secondary market to investors.

FNB FL has two CRA assessment areas (AAs). The Pensacola AA is comprised of most of the Pensacola-Ferry Pass-Brent MSA in Escambia and Santa Rosa Counties. Seven of the banking

offices are located in the Pensacola AA. FNB has 6 percent of the deposit market share in the MSA, and ranks 7<sup>th</sup> out of 19 banking institutions operating in the MSA. The Ft. Walton AA has only one branch. Deposit market share is very low at 1.4 percent of the county's deposits, and ranks 19<sup>th</sup> out of 23 banking institutions. Banking competition is keen, and includes numerous large national and regional banks, as well as local financial institutions.

No legal impediments or financial barriers limit FNB FL's ability to help meet the identified credit needs of its AAs. The bank's lending focus is to continue originating loans to small businesses. FNB FL received a Satisfactory rating during the last CRA evaluation dated September 29, 2003.

## **DESCRIPTION OF PENSACOLA MSA ASSESSMENT AREA**

FNB FL has defined most of the Pensacola-Ferry Pass-Brent MSA (Pensacola MSA) as an assessment area (AA). All of Santa Rosa County, and most of Escambia County are included in the AA. The AA does not arbitrarily exclude any low- or moderate-income census tracts, and meets regulatory requirements.

FNB FL operates its main office and six branches in this AA, including three Wal-Mart store branches. Banking competition is strong in the Pensacola MSA.

The Pensacola MSA has been impacted by hurricanes over the past few years. The area is included in several FEMA declared Major Disaster Declarations. Hurricane Ivan caused severe damage to this area. The City of Pensacola 2007 budget includes the following economic information: "Since the hurricanes the construction sector has soared to respond to rebuilding and repair needs. Unemployment was only 2.6 percent in April of 2006. Tourism has declined primarily due to a lack of available rental units. Many of the rebuilding projects are complete, and tourism should pick-up. Retail sales have increased, and the area has benefited by an increase in the population due to displaced families relocating after last summer's hurricanes."

<b>Demographic and Economic Characteristics Pensacola MSA Assessment Area</b>
Population

Total Population	347,697
Number of Families	92,598
Number of Households	133,979
<b>Geographies</b>	
Number of Census Tracts	68
% Low-Income Census Tracts	4%
% Moderate-Income Census Tracts	29%
% Middle-Income Census Tracts	46%
% Upper-Income Census Tracts	21%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$44,275
2005 HUD-Adjusted MFI	\$51,900
<b>Economic Indicators</b>	
Unemployment Rate	3%
2000 Median Housing Value	\$85,280
% Households Below Poverty Level	14%

*Source: 2000 Census data and HUD updated income data.*

According to a community contact, affordable housing is a pressing issue. Escalating land and construction costs make building affordable housing a challenge. Insurance coverage affordability is also an obstacle to purchasing a new home.

## **DESCRIPTION OF OKALOOSA COUNTY**

FNB FL has designated two census tracts in Okaloosa County as an AA. Okaloosa County is in the Fort Walton-Beach-Crestview-Destin MSA. The bank operates one branch in Destin, Florida, and the bank selected the area surrounding the branch as its AA. Crestview is the county seat, and Fort Walton Beach is the largest city in the MSA. The AA meets regulatory requirements, and does not arbitrarily exclude low- or moderate-income geographies.

Destin is located in Florida's panhandle, and is a beach and fishing resort community. Storms in recent years impacted the local economy, and caused significant beach erosion. Okaloosa County is included in several FEMA Major Disaster Declarations due to recent hurricanes. A beach restoration project is underway to help rebuild the beaches. The following table provides economic and demographic information for the Okaloosa County AA.

<b>Demographic and Economic Characteristics of Okaloosa County Assessment Area</b>
Population

Total Population	12,488
Number of Families	3,554
Number of Households	5,505
<b>Geographies</b>	
Number of Census Tracts	2
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	50%
% Upper-Income Census Tracts	50%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$60,412
2005 HUD-Adjusted MFI	\$57,800
<b>Economic Indicators</b>	
Unemployment Rate	2%
2000 Median Housing Value	\$155,643
% Households Below Poverty Level	5%

*Source: 2000 Census data and HUD updated income data.*

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Performance for the Pensacola AA carries the most weight in conclusions since most of the branches are located in this AA, and the bank has a larger market presence in the Pensacola AA than the Okaloosa County AA. The bank's primary lending products are for commercial purposes and include construction, commercial real estate and commercial loans. We reviewed commercial and residential related lending for this evaluation. Commercial related lending is given more weight in overall conclusions. Residential real estate lending represents a smaller portion of the loan portfolio. Home improvement and refinance lending is minimal; therefore, we reviewed performance only for home purchase loans. Residential lending in the Okaloosa AA is minimal, and the AA has no low- or moderate-income census tracts. As a result, we did not perform a borrower or geographic distribution analysis for this AA.

The loan-to-deposit ratio exhibits reasonable lending volume. A majority of loans have been originated in the AAs. Lending to small businesses is good. The geographic distribution of loans is good, and this is concluded based on lending patterns in the Pensacola AA. As previously noted, the Okaloosa County AA does not have any low- or moderate-income census tracts.

### **Loan-to-Deposit Ratio**

**Performance is reasonable.** The average loan-to-deposit ratio since the prior CRA evaluation is 76 percent. FNB of Florida's ratio is reasonable when compared with similar banks. Three

similar banks were identified, and had an average ratio of 90 percent for the same period. Individual banks had ratios ranging from 68 percent to 108 percent.

### Lending in Assessment Area

**A majority of residential real estate and commercial loans are made within the AAs.**

<b>Table 1 - Lending in Both Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	39	75	13	25	52	3,517	68	1,670	32	5,187
Commercial	40	77	12	23	52	11,190	88	1,570	12	12,760
Totals	79	76	25	24	104	14,707	82	3,240	18	17,947

*Source: data reported under HMDA, sample of loans.*

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

**Lending to borrowers of different incomes and businesses of different sizes is reasonable.** Conclusions are based primarily on commercial lending performance. For both the Pensacola AA and the Okaloosa County AA, lending to small businesses is good. However, the level of residential loans originated to low- and moderate-income borrowers is poor. The bank’s poor performance for residential lending can be attributable in part to the high cost of housing and insurance costs in this area. The distribution of home purchase loans to borrowers of different incomes in the Okaloosa County AA was not analyzed.

Home purchase loans to borrowers of different income levels demonstrate weak performance. The penetration to low-income borrowers at 5 percent is below the percentage of low-income families. Considering that 14 percent of households in the Pensacola AA live below poverty, and the high cost of housing and insurance costs in this region, the opportunity to make home loans to low- and moderate-income families is limited.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Pensacola</b>				
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	21	5	18	8	22	24	39	32

*Source: loan sample or data reported under HMDA; U.S. Census data. Income information was not available for 32% of home purchase and 22% of refinance loans*

The distribution of commercial loans to small businesses is good in the Pensacola AA. The percentage of loans to businesses with revenues less than \$1 million exceeds the percentage of AA businesses by number. The performance is not as strong for the dollar distribution, but is influenced heavily by one large loan so more weight is placed on the number of loans made to small businesses.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Pensacola</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67	4	29	100%
% of Bank Loans in AA by #	74	9	17	100%
% of Bank Loans in AA by \$	34	61	5	100%

*Source: Loan sample; Dunn and Bradstreet data.*

The distribution of loans to small businesses is good in the Okaloosa AA. By number, the percentage of bank loans is similar to the percentage of AA businesses that have revenues less than \$1 million. By dollar, there is an adequate level of loans to businesses less than \$1 million.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Okaloosa County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63	3	34	100%
% of Bank Loans in AA by #	65	22	13	100%
% of Bank Loans in AA by \$	54	29	17	100%

*Source: Loan sample; Dunn and Bradstreet data.*

## **Geographic Distribution of Loans**

**The geographic distribution of loans is good.** The conclusion is based on performance in the Pensacola AA. The penetration of commercial loans in low-income census tracts is strong, and commercial lending in moderate-income census tracts is adequate. Home purchase loans demonstrate strong performance in the moderate-income census tracts.

The geographic distribution for home purchase loans is strong. Very limited opportunities exist to make loans in low-income census tracts in the Pensacola AA. Performance is excellent for the moderate-income census tracts in the Pensacola AA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Pensacola</b>
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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	2	0	18	24	52		28	

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

Since the Okaloosa County AA does not have any low- or moderate-income census tracts, a geographic distribution analysis for residential real estate loans is not meaningful.

The geographic distribution of commercial loans in the Pensacola AA is reasonable. Few businesses are located within low-income census tracts, but the penetration exceeds the percentage of businesses located in low-income census tracts. The penetration in the moderate-income census tracts is not as strong, but is adequate.

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
Commercial	4	6	25	15	46	67	25	12

Source: loan sample; D & B data

Since the Okaloosa County AA does not have any low- or moderate-income census tracts, an analysis of the geographic distribution of commercial loans is not meaningful.

### **Qualified Community Development Loans, Investments and CD Services**

**Community development performance is adequate.** Two community development loans were extended that help meet affordable housing needs. Products and branch distribution help make banking services available throughout the AAs. The branch distribution is very responsive in the Pensacola AA with three branches either in or very accessible to moderate-income geographies. Community development investment activity is limited. Community development activity is concentrated in the Pensacola AA.

#### Community Development Loans

During the evaluation period, two community development loans totaling \$755 thousand were extended to finance apartment complexes. Both projects are located in moderate-income census tracts, and units are primarily rented to low- or moderate-income tenants including temporary

workers.

### Qualified Investments

Community development investments are limited to donations. During 2004 through 2006, FNB made 23 donations that total approximately \$4 thousand that benefit its AA(s). The donations help meet a variety of needs including relief for hurricane victims, and providing basic necessities for low- or moderate-income people. These donations do not represent a significant dollar investment, but help address AA community development needs.

### Community Development Services

#### **Team Santa Rosa**

A bank officer served on the board of this organization which purpose is to promote economic development within Santa Rosa County. This includes attracting businesses to relocate or begin operations in certain areas designated as an Enterprise Zone by the state of Florida. This has resulted in job creation in low- and moderate-income census tracts that help stabilize these vulnerable areas. The organization also assists small businesses with obtaining needed financing through local financial institutions and governmental programs. Businesses also can receive sales tax incentives for operating in an Enterprise Zone.

#### **City of Milton – Economic Restructuring Committee**

A bank officer is a founding member of this committee which purpose is to revitalize the downtown Milton area. The committee has drafted a vision plan that has been adopted by the City of Milton. The downtown Milton area is located in a moderate-income census tract. The purpose of the committee is to attract new businesses into this area, which will provide permanent job growth. The committee helps small businesses arrange financing at local financial institutions, and to educate small business owners about available grants through the state or federal government.

### Products and Branch Distribution

Products and branch distribution help make banking services available to low- or moderate-income people and areas. Two branches are located in moderate-income census tracts in Pensacola. The main office is in a middle-income census tract, but the income is only 80.7% of the area median family income. Consumer loan and deposit products include the traditional mix of banking products, none of which are specifically directed to low- or moderate-income customers. Commercial products include a Small Business Checking account that offers reasonable fixed monthly costs directed to help meet the needs of small businesses. Checking account products for non-profit organizations are available, and provide reasonable costs. A variety of commercial loan products are available.

### **Responses to Complaints**

No complaints related to CRA were received during the evaluation period. This has a neutral impact on the overall CRA rating.

### **Fair Lending or Other Illegal Credit Practices Review**

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