



SMALL BANK

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

PUBLIC DISCLOSURE

November 16, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Osceola County
Charter Number 21730**

**920 North John Young Parkway
Kissimmee, FL 34741**

**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 Osceola County has a reasonable loan-to-deposit ratio compared to banks of similar size. A substantial majority of loans are made in the assessment area. The distribution of loans to borrowers of different incomes and to businesses of different sizes is satisfactory. The geographic distribution of loans reflects a reasonable penetration of census tracts within the assessment area. The bank has not received any consumer complaints or public comments relative to CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Osceola County (FNBOC) was chartered in September 1989. The main office is located in Kissimmee, Florida with three branch offices located in Osceola County (Kissimmee, St. Cloud and Poinciana) and two branch offices located in Orange County (Orlando and Ocoee). Each branch is a full service facility offering drive-through banking and automatic teller machines (ATMs). FNBOC also offers Internet banking and electronic bill payment services. FNBOC is a wholly owned subsidiary of CenterState Banks of Florida, a \$708 million holding company that owns four financial institutions in the central Florida area.

As of June 30, 2004, FNBOC had total assets of \$178 million. The bank's primary focus is business lending. Commercial and commercial real estate loans represent 61% of the bank's total loan portfolio as of June 30, 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 June 1999 to November 2004. The last CRA evaluation for FNBOC was performed in May 1999. FNBOC received a "Satisfactory" rating.

This CRA evaluation used the bank's lending activity from 2002 through November 2004. For 2002 lending activity, 1990 Census Bureau data was used as the basis for comparison. For 2003 and 2004 lending activity, 2000 Census Bureau information was used for comparison.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. FNBOC's assessment area consists of Osceola County and a portion of Orange County, both of which are part of the Orlando, Florida Metropolitan Statistical Area (MSA #36740). Census tract designations have changed since the 1990 Census. As such, there are now more census tracts in the AA for 2003 and 2004 than there were in 2002.

The census tract designations for the assessment areas are as follows:

2002		
Assessment Area	Census Tracts	
Low-Income	1	2%
Moderate-Income	10	23%
Middle-Income	27	61%
Upper-Income	6	14%
Totals	44	100%

2003-2004		
Assessment Area	Census Tracts	
Low-Income	0	0%
Moderate-Income	20	30%
Middle-Income	33	50%
Upper-Income	13	20%
Totals	66	100%

The median family income (MFI) for the MSA is updated annually by HUD¹ based on the most recent census. The updated MFI for each year used in this CRA evaluation is listed below.

<i>Year</i>	<i>HUD Updated MFI</i>
2002	\$54,700
2003	\$52,700
2004	\$54,300

Banking competition in the MSA is represented by community banks, regional banks, credit unions and large financial institutions. There are 48 financial institutions operating more than 470 offices in the Orlando MSA. FNBOC has 0.62% of the market share of deposits in the MSA². The assessment area has primarily a working population with 84% being wage earners. While 9% live below the poverty level, only 2% receive public assistance. Eighty-nine percent (89%) of all housing units are occupied, with 62% being owner-occupied. The median home value for the assessment area is \$104,563. The primary job sectors in the area are retail trade and services. Kissimmee and its surrounding communities have a significant number of hotels, retail stores, and service-oriented businesses whose success is tied to the tourism industry. The single largest employer in the area is Walt Disney World, which employs approximately 53,000 people.

As part of our examination, we contacted three organizations in the area that support economic development, housing development and community reinvestment. We discussed the credit needs of the community and the performance of financial institutions in meeting those needs. The discussion indicated that financial institutions are performing favorably in meeting community credit needs.

¹ Department of Housing and Urban Development

² Source: FDIC; June 30, 2004

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

FNBOC’s average loan-to-deposit (LTD) ratio is reasonable given the bank’s size and financial condition. The bank’s average LTD ratio over the evaluation period was 76%. The quarterly ratios ranged between 64% and 84%. For comparison, we obtained the quarterly LTD ratios for banks of similar size, in metropolitan areas nationwide. This group has approximately 790 banks. The average LTD ratio was 77%, with a range between 74% and 81%.

❖ **Lending in Assessment Area - Exceeds the Standard for Satisfactory Performance**

The bank makes a substantial majority of loans within its assessment area. This conclusion is based on an analysis of loans originated during the evaluation period. Our analyses included data provided by the bank for all residential mortgages made in 2002 through November 2004. The sample of business loans included those made during the evaluation period and still outstanding as of September 30, 2004. Total loans sampled for each product are detailed in the first table below. We sampled loans from each category to validate the accuracy of the bank’s data. A breakdown by loan product is detailed in the second table below.

Loan Sample	Total Number	Total Dollar
Business Loans	472	\$58,183,000
Residential Loans	241	\$21,952,000

Loans in the Assessment Area	Residential Loans		Business Loans	
	# of Loans	\$ Volume of Loans	# of Loans	\$ Volume of Loans
In the AA	87.1%	87.2%	84.3%	73.6%
Out of the AA	12.9%	12.8%	15.7%	26.4%

❖ **Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes – Meets the Standard for Satisfactory Performance**

FNBOC has reasonable penetration among individuals of different income levels. Our analysis used the residential mortgage loans originated within the assessment area from the above sample. We then compared the income distribution of the bank’s borrowers to the income distribution of families within the assessment area, using the HUD updated median family income levels. The findings are presented on the next page.

<i>Income Category</i>	<i>Residential Mortgages 2002</i>		<i>Families within the Assessment Area³</i>
	# of Loans	\$ Volume of Loans	
Low-Income	16.4%	9.5%	17.9%
Moderate-Income	29.9%	16.8%	20.6%
Middle-Income	20.9%	14.0%	24.9%
Upper-Income	31.3%	58.3%	36.6%
No Income Data	1.5%	1.4%	0.0%

<i>Income Category</i>	<i>Residential Mortgages 2003-2004</i>		<i>Families within the Assessment Area⁴</i>
	# of Loans	\$ Volume of Loans	
Low-Income	14.7%	5.2%	19.5%
Moderate-Income	19.6%	7.9%	19.5%
Middle-Income	20.3%	12.1%	24.1%
Upper-Income	39.8%	68.3%	36.9%
No Income Data	5.6%	6.5%	0.0%

FNBOC has reasonable penetration among businesses of different sizes. Revenue information was not readily available for our larger sample of business loans. Therefore, we reviewed a small sample of business loans from our original sample and obtained annual revenue information for these businesses. This sample totaled 23 loans. 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). Seventy percent (70%) of the total number and 66% of the total dollar of business loans sampled were made to small businesses. In comparison, economic data shows 62% of all businesses in the MSA are considered small businesses. FNBOC also makes business loans available in varying dollar amounts. Our sample included loans with original amounts ranging from \$12,000 to \$1,200,000. A breakdown of loans by size is given below.

Loan Size	# of Loans	\$ Volume of Loans
< \$100,000	47.8%	11.7%
\$100,001 - \$250,000	39.1%	39.0%
\$250,001 - \$500,000	8.7%	16.5%
> \$500,000	4.4%	32.8%
Total	100.0%	100.0%

3 Source: 1990 Census

4 Source: 2000 Census

❖ **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

The geographic distribution of loans reflects a satisfactory penetration of geographies within the assessment area. For this analysis, we used our samples of business loans and residential mortgages made in the assessment area. The distribution of residential loans is compared to the distribution of owner-occupied housing (OOH) in the assessment area (AA). The distribution of business loans is compared to economic data regarding the location of all businesses in the AA. The results show that the distribution of the bank’s loans is reasonable given the proportion of census tracts within the assessment area. The results for residential loans made in 2003 and 2004 are summarized in the table below. Distribution patterns for 2002 showed a lower penetration for residential loans in low- and moderate-income tracts, but overall, the distribution of loans was reasonable given the size of the bank and the level of competition in the area.

<i>Geographic Distribution of Residential Loans</i>			
Tract Income	# of Loans	\$ Volume of Loans	OOH in the AA
<i>Low-Income</i>	NA	NA	NA
<i>Moderate-Income</i>	22.4%	17.8%	23.0%
<i>Middle-Income</i>	58.0%	63.8%	55.8%
<i>Upper-Income</i>	19.6%	18.4%	21.2%
<i>Total</i>	100.0%	100.0%	100.0%

Business loans also showed a distribution that is reasonable compared to the overall business patterns within the assessment area. Census tract data is collected by the bank for business loans. Therefore, we used our larger sample of loans made in the AA. The analysis showed that 16% of all business loans made in 2002 through November 2004 were made in moderate-income tracts. In comparison, 29% of businesses in the assessment area are located in moderate-income tracts.

❖ **Response to Complaints - Not Applicable**

FNBOC has not received any complaints about its performance in helping meet the credit needs of the assessment area during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

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