



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

February 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of the Florida Keys
Charter Number 16641**

**12640 Overseas Highway
Marathon, Florida 33050**

Office of the Comptroller of the Currency

**Miami Duty Station
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126**

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.

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 **First National Bank of the Florida Keys** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

First National Bank of the Florida Keys' (FNB) CRA performance was evaluated using the small bank performance criteria. The bank's last CRA review was performed as of March 31, 1994 and the bank achieved a **Satisfactory** rating. While we evaluated the bank's performance since the time of the last CRA exam, lending activity during 1996 was emphasized in this evaluation. FNB's quarterly average loan to deposit ratio since March 31, 1994 is more than reasonable and exceeds that of similarly situated banks within its assessment area. A substantial majority of the bank's loans are within its assessment area. The geographic distribution of these loans within the assessment area is not relevant for this evaluation since all geographies are designated as middle- or upper-income, based on 1990 U.S. Census figures. The distribution of loans granted to borrowers of different income levels and businesses of different sizes is reasonable, given the demographics of the bank's assessment area. The bank has received no complaints regarding its CRA performance.

The following table indicates the performance level of First National Bank of the Florida Keys with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF THE FLORIDA KEYS</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Criteria was not rated. Analysis was not performed.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

FNB is a community bank located in Monroe County which is the southernmost county in Florida and encompasses the entirety of the area known as The Florida Keys. The bank is owned by Firstbancorp Inc., a two-bank holding company headquartered in Naples, Florida.

FNB's primary lending focus is residential real estate and commercial lending primarily to small businesses within its community. As of December 31, 1996 it had total assets of \$108 million. The bank's loan portfolio totaled \$94 million, which consisted of approximately 49% residential real estate loans, another 49% in commercial and commercial real estate loans, and 2% consumer-purpose loans.

FNB has five branches located throughout its assessment area. Their northernmost branch is located in Islamorada, in the Upper Keys. Two other branches, including its main office, are located in Marathon, a major commercial center in the Middle Keys. The remaining two branches are located in the City of Key West, the main metropolitan center of the county and the most populated area of the Florida Keys. All offices offer full banking services and most have automated teller machines (ATMs) and drive-thru facilities.

There are currently no legal impediments that hinder the bank's ability to meet the credit needs of its assessment area in a manner consistent with its resources and business focus.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of a Non-Metropolitan Statistical Area (Non MSA) known as Monroe County. This area includes 29 whole Block Numbering Areas (BNAs), none of which are low or moderate income geographies, based on the 1990 U.S. Census income figures. Seventeen of these BNAs (59%) are considered upper-income, where median family income is above 120% of the median family income for the county. Another 31% (9) are designated middle-income BNAs because their median family income is below 120% but above 80% of the county's median. The remaining three BNAs do not contain the necessary population for a statistically valid income designation. The statewide average non-MSA median family income for Monroe County (updated by the U.S. Department of Housing and Urban Development for 1996), is \$31,600. Based on this median income figure 11% of the families within the assessment area are considered low-income, 13% are moderate-income, 20% middle-income, and 56% fall into the upper-income category.

According to the 1990 Census, the population of Monroe County was at 78,024, with more than half of its citizens (42,894) residing in the Lower Keys. This area includes the City of Key West and its surrounding islands, which are home to over 41% of the total county population. There is also an important military presence in the area with at least two active Navy bases in Key West and several highly active Coast Guard stations throughout the Florida Keys.

The Keys' economy is seasonal and has two major industries: tourism and fishing. The tourist season is winter and early spring and provides the main source of income for the county's permanent residents. The fishing industry is also a very important source of local employment. This industry might be negatively impacted by a recent state-government decision to designate the Florida Keys a federally-managed marine sanctuary. This designation will seek to curtail the amount of commercial fishing done in the area and is expected to greatly impact this sector of the local economy.

Information about community's credit needs was obtained from individuals and organizations involved in the community. Five recently made community contacts indicated a need for affordable housing loans and small business financing as the primary credit needs in the area. These contacts were made by other bank regulators in conjunction with CRA examinations of other banking institutions in the area. The organizations contacted ranged from a county-wide housing authority to organizations involved with community and business development in the Keys area.

According to bank records, housing costs in Monroe County are typically 30% higher than the state's average, with the average price of a home at around \$197,000. The 1990 U.S. Census pegged the median housing value in the area at \$140,400. The high real estate prices are caused by a strong demand and limited supply of housing stock due to the lack of available land and government land use restrictions for environmental reasons. Also hurricane evacuation considerations are part of the government's basis for limiting growth. Because of this the real estate market has limited potential for growth as new construction is rare.

Competition among banking service providers is fierce. The bank's competitors include 3 locally-based community banks (TIB Bank of the Keys, First State Bank of the Florida Keys, and Marine Bank) and branches of 4 regional banks (NationsBank, Barnett, Suntrust, and First Union). This market tends to generate more loans than deposits.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

FNB's average quarterly loan to deposit ratio since March 31, 1994, equals 91%. This ratio is more than reasonable and exceeds the ratio of lending achieved by similarly situated banks within their assessment area. The loan to deposit ratio of the other three independently-owned community banks in the area averaged around 65% during the same period.

Lending in Assessment Area

A substantial majority of the bank's loans are located within its assessment area. Bank reports indicate that approximately 95% of the loans originated during 1995 and 1996 were made to borrowers within the assessment area. In dollar terms about 90% of total originations were inside the assessment area in the same two-year period.

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

FNB's lending to borrowers of different income levels and businesses of different sizes is reasonable in relation to the demographics of the assessment area.

The bank's distribution of residential loans among borrowers of different income levels is reflective of the economic realities present within the assessment area. Of 56 consumer loans made between May and November, 1996 bank reports show the following borrower's income breakdown:

Borrower Income Level	Number of loans	\$ Amount	% Loans	% of \$ Amount
Low	0	\$0	0%	0%
Moderate	3	189,254	3%	2.4%
Middle	5	408,600	9%	5%
Upper	48	7,320,572	85%	92%

This table shows that the percentage of loans made to low- and moderate-income borrowers is much lower than the percentage of families designated as such within the assessment area (24%). But this is a result of the higher-than-average real estate property values in the area which keep low- and moderate-income applicants from qualifying for housing loans. See the **Description of the Assessment Area** section of this evaluation for more details.

The distribution of loans to businesses shows an adequate distribution of lending to businesses of different sizes. Based on management's estimation (the bank does not formally maintain records of business size based on annual revenues) of the 160 business loans made in 1996, about 48% (76 loans) were to businesses with annual revenues under \$1 million. In dollar terms, 35% of the funds loaned to businesses during this period went to small businesses (using the less than \$1 million in annual revenues definition). This is consistent with the bank's target market and expertise.

Geographic Distribution of Loans

FNB's assessment area is made up exclusively of middle- and upper-income geographies. Therefore, an analysis of the geographic distribution of the bank's loans within its assessment area was not performed as it would not be meaningful for the purposes of this evaluation.

Response to Complaints

FNB has not received any complaints regarding its Community Reinvestment Act activities.

Compliance with Antidiscrimination Laws and Regulations

The consumer compliance examination performed concurrent with this evaluation noted no evidence of discrimination in the bank's lending practices. There were no violations of anti-discriminatory laws and regulations.