



PUBLIC DISCLOSURE

August 28, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank Northwest Florida
Charter Number: 18214

101 East 23rd Street
Panama City, FL 32405-4501

Office of the Comptroller of the Currency

3595 Grandview Parkway
Suite 655
Birmingham, AL 35243

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, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: **Satisfactory**

The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- The bank originated a substantial majority of loans inside its assessment area (AA).
- The bank did not receive any Community Reinvestment Act (CRA) or fair lending related complaints during the review period.

The Lending Test rating is based on the Satisfactory performance in the state of Florida. First National Bank of Northwest Florida (FNB Northwest Florida, bank) exhibits reasonable geographic and borrower distribution of small business loans.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio is reasonable.

The bank's average LTD ratio for the twelve quarters ending December 31, 2021 was 39.8 percent, with a quarterly high of 43.7 percent and a quarterly low of 31.2 percent. We compared the bank's LTD ratio to four similarly situated institutions for the same period. The quarterly average LTD ratio for these banks was 43 percent, with a quarterly high of 52.2 percent and a low of 33.1 percent. The LTD ratio is calculated on a bank-wide basis.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA.

The bank originated and purchased 82 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	41	82.0%	9	18.0%	50	\$4,911	66.3%	\$2,491	33.7%	\$7,402
Total	41	82.0%	9	18.0%	50	\$4,911	66.3%	\$2,491	33.7%	\$7,402

Description of Institution

FNB Northwest Florida opened in 1984, and is wholly owned by First Northwest Florida Holding Company, a one-bank holding company. The bank's two locations are in Panama City, Bay County, Florida. Each location includes drive-up facilities and an automated teller machine (ATM). The bank's ATMs do not accept deposits and do not charge ATM fees for customers. FNB has not closed, opened, or relocated any offices during this evaluation period. There have not been any major changes in the bank's operational structure since the March 8, 2019, Community Reinvestment Act (CRA) examination when the bank received a Satisfactory rating. We found no legal or financial impediments adversely affecting the bank's ability to help meet community credit needs.

On December 31, 2021, the bank reported total assets of \$210.1 million, deposits of \$189.5 million, and net loans of \$59 million, representing 28.1 percent of total assets. Tier 1 capital totaled \$20.5 million, and the tier 1 leverage ratio was 9.4 percent. The bank primarily originates business loans. A breakdown of the bank's loan portfolio shows business loans at 67.4 percent, one-to-four family mortgage loans at 22.4 percent, and construction and land loans at 8.7 percent. The bank originates a portion of their business loans through Small Business Administration (SBA) initiatives. In 2020-2021, the bank originated 177 bank Paycheck Protection Program (PPP) loans, totaling \$19.8 million. Additionally, the bank offered various payment deferral options and deposit services to customers impacted financially by Hurricane Michael and the COVID-19 Pandemic.

The bank has one AA, consisting of Bay County, Florida. Bay County is one of two counties, in addition to Gulf County, that make up the Panama City Metropolitan Statistical Area (MSA). The Bay County AA meets regulatory requirements and consists of a complete political subdivision that does not arbitrarily exclude low- or moderate-income geographies. In 2019-2021, the 44 census tracts (CTs) had the following distribution: two low-income tracts, nine moderate-income tracts, twenty-two middle-income tracts, ten upper-income tracts, and one unknown. In 2021, six of the income tracts were considered underserved. Military, government, and health care are the primary industries in the AA. The bank faces heavy competition in the AA and ranks ninth out of eighteen financial institutions, holding 4.8 percent of the market's FDIC insured deposits. The majority of competing institutions are large and regional banks.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated the CRA performance of FNB Northwest Florida using Small Bank performance criteria, which includes a lending test. The lending test evaluates the bank's performance based on meeting the credit needs of the AA through its lending activities. Our conclusions are based on a random sample of the bank's primary lending product, small business loans, originated between January 1, 2019 and December 31, 2021.

Selection of Areas for Full-Scope Review

The bank has a single AA, the entirety of Bay County in Florida, which received a full-scope review. Refer to appendix A, Scope of Examination, for more information.

Ratings

The bank's overall rating is based on the State of Florida rating. The State rating is based on the full-scope review of the bank's single AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Florida

CRA rating for the State of Florida: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank’s quarterly LTD ratio was reasonable.
- The bank originated a substantial majority of loans inside its AA.
- The bank exhibits a reasonable geographic distribution of loans in the state.
- The bank exhibits a reasonable distribution of loans to businesses of different sizes.

Description of Institution’s Operations in (Name of State)

FNB Northwest Florida operates only in Florida. The information provided in the “Description of Institution” section of this Performance Evaluation describes the bank’s operations in Florida.

As part of our evaluation, we relied on a community contact for a nonprofit entity in Panama City, Florida. This organization stated that the county’s primary credit needs are affordable housing and investment in small business development. The contact stated that small business investment would aid in the return of older, established businesses, as well as the entry of new businesses in the community and county levels.

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB Northwest Florida						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	44	4.5	20.5	50.0	22.7	2.3
Population by Geography	175,353	3.6	16.7	52.2	27.5	0.0
Housing Units by Geography	100,109	3.2	15.6	54.2	26.9	0.0
Owner-Occupied Units by Geography	41,737	2.5	13.3	52.4	31.8	0.0
Occupied Rental Units by Geography	26,185	5.3	22.7	50.6	21.5	0.0
Vacant Units by Geography	32,187	2.5	12.9	59.5	25.1	0.0
Businesses by Geography	30,540	3.2	16.8	54.0	25.9	0.0
Farms by Geography	821	2.8	13.4	56.3	27.5	0.0
Family Distribution by Income Level	43,485	21.1	17.7	19.9	41.3	0.0
Household Distribution by Income Level	67,922	22.4	16.7	19.1	41.8	0.0
Median Family Income MSA - 37460 Panama City, FL MSA		\$57,635	Median Housing Value			\$160,962
			Median Gross Rent			\$958
			Families Below Poverty Level			10.7%

Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
() The NA category consists of geographies that have not been assigned an income classification.*

Scope of Evaluation in Florida

The bank has one AA in the state of Florida, which received a full-scope review.

Lending Test

The bank's performance under the Lending Test in Florida is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Bay County AA is good.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State.

Small Loans to Businesses

Refer to Table Q in appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The bank exhibits a reasonable geographic distribution of small loans to businesses. The bank did not originate loans in low-income CTs; however, the opportunities were very low based on the small number of businesses and the peer aggregate level of lending in the low-income CTs. The bank's lending in the moderate-income CTs exceeded the percentage of businesses and aggregate peer lending level.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to businesses of different sizes, given the product lines offered by the bank.

Small Loans to Businesses

Refer to Table R in appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The bank's distribution of small loans to businesses is reasonable. The bank's lending is below the percentage of businesses with gross annual revenues of \$1 million or less in the AA, but significantly exceeds peer lending levels.

Responses to Complaints

The Bank did not receive any CRA-related complaints during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	(01/01/2019 to 12/31/2021)	
Bank Products Reviewed:	Small Business Loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
State of Florida		
Bay County AA	Full-scope	

Appendix B: Summary of MMSA and State Ratings

RATINGS		First National Bank Northwest Florida	
Overall Bank:		Lending Test Rating	
FNB Northwest Florida		Satisfactory	
State:			
Florida		Satisfactory	

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

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).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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 percent and less than 120 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

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.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																	2019-2021		
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available- Income Tracts			
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Bay County	46	\$5,537	100	3.2	0.0	2.6	16.8	19.6	15.6	54.0	45.6	53.5	25.9	34.8	28.4	0.0	--	0.0	
Total	46	\$5,537	100	3.2	0.0	2.6	16.8	19.6	15.6	54.0	45.6	53.5	25.9	34.8	28.4	0.0	--	0.0	

Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2019-2021	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Bay County	46	\$5,537	100.0	5,980	91.5	80.0	40.8	2.1	20.0	6.4	--		
Total	46	\$5,537	100.0	5,980	91.5	80.0	40.8	2.1	20.0	6.4	--		

Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0