



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 19, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Wauchula
Charter Number 14882

406 N 6th Avenue
Wauchula, FL 33873

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

The major factors supporting the institution's rating include:

- First National Bank of Wauchula's average loan-to-deposit ratio is more than reasonable and exceeds peer group averages.
- A substantial majority of business lending occurred in the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels.
- The distribution of loans to businesses reflects excellent penetration to small businesses.

SCOPE OF EXAMINATION

First National Bank of Wauchula (FNB) was evaluated under the small bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through lending activities. Our conclusions were based on an analysis of the bank's residential real estate loans and business loans originated January 1, 2008 through July 30, 2010.

DESCRIPTION OF INSTITUTION

FNB was chartered on January 12, 1960. The bank is headquartered in Wauchula, Hardee County, Florida. The bank is a wholly-owned subsidiary of First Hardee Holding Corporation, a one-bank holding company located in Wauchula. The bank has one office, the main office, which provides an automated teller machine and drive-through banking services.

As of June 30, 2010, FNB had total assets of \$82 million. The bank's primary lending focus is residential mortgages and loans to small businesses. These lending products consist of 74 loans in number and \$24 million (44%) in dollar volume for residential real estate, with commercial loans accounting for 162 loans in number and \$13 million (25%) in dollar volume. For residential real estate lending, our conclusions were based on all home purchase, refinanced and home improvement loans; for business loans an analysis of a random sample of business loans was used. The last CRA evaluation was performed in February 2005 when the bank received a rating of "Satisfactory". There are no financial, legal or other impediments to the bank's ability to meet community credit needs.

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 AA. This information is based on the 2000 Census. Family income is based on the Department of Housing and Urban Development's 2010 median family income of \$47,200 for nonmetropolitan areas in the State of Florida. The total AA meets the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income census tracts.

The AA has a total population of 29,415 people. Wauchula is the governmental and legal center of Hardee County. Hardee County is a predominantly rural county with over 80% of its total acres currently being utilized for agricultural, vacant, or undeveloped land. Lead industries are government, both County and City, a head injury facility, a medical hospital, public schools, a prison, an electric co-op and about 500 to 600 individuals are employed by manufacturing companies, including phosphate mining. Citrus crops and some row crops are the primary agricultural products. Small businesses (those with revenues less than \$1 million) represent 70% of all businesses in the AA. There are two local banks and one regional bank in the lending area. Seventy-six percent (76%) of the population is of working age (16 to 65 years). Per *Enterprise Florida*, the unemployment rate for July 2010 was 14.3%. There is a large number of migrant farm-workers and their families residing in the county. Low wages, high unemployment, and a lack of industry all plague this county. Over 20% of the population is living below the poverty level which is the highest in the State. Because of the recession, there now is a surplus of housing, both rental and 1-4 family. Per capital income is approximately \$22 thousand, comprised primarily in service and agricultural jobs. Residents have been hard hit by the recession and unemployment has resulted in foreclosures which has had a ripple effect on every aspect of the community. During our examination, we contacted an economic development office to discuss the needs of the community. Their information confirmed that affordable housing assistance is one of the primary needs in this area due to high unemployment and low income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- **Loan-to-Deposit Ratio - Exceeds the Standard for Satisfactory Performance**
FNB's average loan-to-deposit (LTD) ratio is more than reasonable at 79.89%. The average loan-to-deposit ratio was calculated and averaged for each quarter from March 2005 through June 2010. We compared the bank's average LTD ratio to banks in Hardee and Highlands Counties. The average LTD ratio of the peer banks is 76.86% with the highest average LTD ratio being 79.30% and the lowest average ratio at 74.58%.

Lending in Assessment Area

- **Lending in Assessment Area - Exceeds the Standards for Satisfactory Performance**

A majority of FNB's loans originated during the evaluation period were inside the bank's

AA. This conclusion is based on an analysis of loans originated during the evaluation period January 1, 2008 through July 30, 2010. The analysis included all residential real estate loans (74) and a statistically valid sample of 33 business loans. As detailed in Table 1 below, 95.33% by number and 95.15% by dollar amount of sampled business and residential real estate loans were made inside the bank's AA.

Table 1 - Lending in Hardee AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	72	97.3	2	2.7	74	3,647	98.59	52	1.41	3699
Business	30	90.91	3	9.09	33	1,535	87.86	212	12.14	1747
Totals	102	95.33	5	4.67	107	5,182	95.15	264	4.85	5446

Sources: all residential loans; sample of business loans; U.S. Census Data

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

- **Lending to borrowers of different incomes and to businesses of different sizes – Meets the Standard for Satisfactory Performance**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels. The distribution of loans to low- and moderate-income borrowers is reasonable.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hardee AA								
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 Mortgage	22.76	19.44	21.71	27.78	20.22	28.57	35.32	25.00

Sources: all residential loans; U.S. Census Data; NA 1.4% of loans

The distribution of loans to businesses reflects excellent penetration to small businesses. A majority of the loans to businesses were for amounts less than \$100 thousand. During this evaluation period, 87% of the bank's business loans sample was originated to small businesses, which equates to 77% of the total dollar volume of the business loans originated. Small businesses are businesses with gross annual revenues of \$1 million or less. Additionally, 26 loans, or 91% of business loans sampled, were made in the AA and had origination amounts of \$100 thousand or less.

Table 2A - Borrower Distribution of Loans to Businesses in Hardee AA				
Business Revenues (or Sales)	≤\$1,000,000	≥\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.23	2.23	27.54	100%
% of Bank Loans in AA by #	86.67	13.33	0	100%
% of Bank Loans in AA by \$	77.40	22.60	0	100%

Source: Loan sample; Dunn and Bradstreet data

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Hardee AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	26	86.67	391,234	25.48
\$100,001 - \$250,000	2	6.67	332,000	21.63
\$250,001 - \$500,000	1	3.33	290,000	18.89
\$500,001 - \$1,000,000	1	3.33	522,000	34.00
Over \$1,000,000	0	0.00	0	0.00
Total	30	100.00	1,535,234	100.00

Source: Loan sample

Geographic Distribution of Loans

- **Geographic Distribution of Loans – Meets the Standards for Satisfactory Performance**

The bank's geographic distribution of loans in this AA reflects reasonable dispersion through census tracts of different income levels. Our analysis is based on a review of all residential real estate loans. The following table reflect the residential real estate loan distribution of originated loans within the bank's AA by income designation of census tract.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hardee AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential RE	0.00	0.00	23.08	14.29	76.92	85.71	0.00	0.00
Refinance	0.00	0.00	23.08	14.29	76.92	85.71	0.00	0.00
Home Improvement	0.00	0.00	23.08	16.67	76.92	83.33	0.00	0.00

Source: all loans

The distribution of loans reflects excellent business lending in the moderate-income census tracts. Although the bank has not made any loans in the low-income tracts, this is consistent with the opportunity in these areas.

Table 3A - Geographic Distribution of Loans to Businesses in Hardee AA								
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
Businesses	0.00	0.00	13.26	13.33	86.74	86.67	0.00	0.00

Sources: Loan Sample; D & B data

Responses to Complaints

FNB did not receive any CRA related complaints during the CRA evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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