



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 28, 2003**

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

**Ocala National Bank  
Charter Number 20613**

**112 North Magnolia Avenue  
Ocala, FL 34475**

**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.**

Ocala National Bank's performance rating is supported by the following.

- The loan-to-deposit ratio is reasonable.
- The majority of loans and other lending activities are in the bank's assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects dispersion throughout the majority of the assessment area.

## **DESCRIPTION OF INSTITUTION**

As of October 28, 2003, Ocala National Bank (ONB) was an \$82 million retail banking institution located in Ocala, Florida. The main office is located at 112 Magnolia Avenue in downtown Ocala. The bank also serves the credit and deposit needs of its customers from a branch located at 811 NE 36<sup>th</sup> Avenue in Ocala. Each of these facilities includes drive-up and ATM services. The bank is 100% owned by ONB Financial Services, an \$88 million, one-bank holding company located at 112 Magnolia Avenue, Ocala, Florida. ONB's primary lending focus is commercial and real estate lending. There are no known financial or legal impediments that should hinder the bank from meeting the credit needs of its assessment area.

ONB offers a wide variety of business, real estate and consumer lending products. Additionally, a wide array of deposit services and products such as Telebanking are offered to provide the community with full service banking.

On September 30, 2003, net loans totaled \$60 million and comprised 73% of assets. The composition of the loan portfolio is as follows.

<b>PORTFOLIO TYPE</b>	<b>Dollar amount (000)</b>	<b>% of portfolio</b>
COMMERCIAL/COMMERICAL REAL ESTATE	\$35	59
RESIDENTIAL REAL ESTATE	\$21	35
CONSUMER	\$ 2	3
OTHER	\$ 2	3

ONB's last Public Evaluation was dated July 26, 1999, at which time the bank received a satisfactory rating. This evaluation covers the time period from August 1999 to October 2003.

## DESCRIPTION OF MARION COUNTY

ONB designates the geographic boundaries of Marion County, Florida as its assessment area (AA). The city of Ocala is the largest municipality in Marion County. The four smaller municipalities are Belleview, Dunnellon, McIntosh and Reddick. A number of small rural communities are also included in the county. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The Ocala Metropolitan Statistical Area (MSA) is comprised of all of Marion County. According to the U.S. Census Bureau, in 2000, Marion County has 46 census tracts including 1 low-income, 3 moderate-income, 32 middle-income, and 10 upper-income tracts. In the county, 17% of families were considered low-income, 20% were considered moderate-income, 23% were considered middle-income, and 40% were considered upper-income families. The 2003 Housing and Urban Development estimate of MSA median family income for Ocala is \$40,600.

Marion County is located in North Central Florida on the I-75 corridor. It is approximately 40 miles southeast of Gainesville, and 80 miles north of Orlando. The estimated 2002 population for the county was 258,916; it increased 33% from 1990 to 2000. The August 2003 unemployment rate was 4.7% compared to the state of Florida average of 5.6%. According to the 2000 Census, 45% of households in Marion County received social security and 27% were retired. Additionally, 87% of housing units in the area were occupied with 69% being owner-occupied. These figures were based on published demographic information.

Major industries in the area include manufacturing, medical, government and services. The largest employers in the assessment area include the Marion County School Board, the State of Florida, Munroe Regional Medical Center, Emergency One, Inc, and Wal Mart.

The following table highlights the demographic composition of Marion County.

Type of income Census Tracts	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low (less than \$20,300)	1	2%	824	1%
Moderate (\$20, 301 to \$32,479)	3	7%	4,702	4%
Middle (\$32,480 to \$48,719)	32	70%	81,801	77%
Upper (\$48,720 and greater)	10	21%	19,380	18%

The banking industry in the assessment area is highly competitive. Bank of America, Wachovia, SunTrust, Amsouth, Compass Bank and Regions Bank represent multinational and regional banks. They, along with community banks such as Community Bank of Marion County, Dunnellon State Bank, Florida Bank of Marion County, Independent National Bank, and local credit unions, afford community residents numerous alternatives for meeting their particular banking needs.

As part of our examination, we met with a representative from the community regarding local economic conditions and community credit needs. Based on information provided by a representative from the Greater Ocala Community Development Corporation, the primary lending needs in the area are centered in small business loans for small business development and affordable housing. Our contact indicated that the financial institutions in the area are positively perceived for their involvement in the local community. However, our contact felt the local institutions should increase their visibility and partnership with community revitalization.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio- Meets the Standard for Satisfactory Performance

The bank's loan-to-deposit (LTD) ratio is satisfactory based on its size and the assessment of community credit needs. ONB's average net LTD ratio was 71% using quarter end information from September 30, 1999 to September 30, 2003. During this time period, the ratio ranged from 64% to 81%. A group of similarly situated banks within the same market area had an overall average of 75% during the same period. Similarly situated banks include four banks considered ONB's peer due to their location, size and types of services offered. ONB's national peer group average was 75% for that time period as well. As of October 28, 2003, ONB's LTD ratio was 85%.

### Lending in Assessment Area- Meets the Standard for Satisfactory Performance

A majority of the bank's lending is within its defined assessment area. Because the bank focuses on commercial lending, we performed an analysis of a sample of 21 commercial loans originated by the bank between August 1999 and October 2003. We found that 20 loans were originated within the bank's AA. The loans are detailed below.

Lending In the Assessment Area Commercial Lending					
	# of Loans in sample	%	\$ of Loans (000)	%	
Inside AA	20	95	3,224	91	
Outside AA	1	5	314	9	
<b>Totals</b>	<b>21</b>	<b>100</b>	<b>3,538</b>	<b>100</b>	

In order to perform an analysis of the bank's residential lending within the AA, we utilized

Home Mortgage Disclosure Act (HMDA) data for the years 2002, 2001 and 2000. The bank originated 148 HMDA loans, totaling approximately \$13 million in those years. We used this information in our analysis. We found that 135 of those loans were made within the assessment area.

<b>Lending In the Assessment Area Residential Real Estate</b>					
	<b># of Loans in sample</b>	<b>%</b>	<b>\$ of Loans (000)</b>	<b>%</b>	
<b>Inside AA</b>	<b>135</b>	<b>91</b>	<b>11,043</b>	<b>86</b>	
<b>Outside AA</b>	<b>13</b>	<b>9</b>	<b>1,773</b>	<b>14</b>	
<b>Totals</b>	<b>148</b>	<b>100</b>	<b>12,816</b>	<b>100</b>	

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

The dispersion of loans to borrowers of different income levels and businesses of different sizes is reasonable. Our sample was comprised of the 135 residential real estate loans originated within the AA. As the following tables indicate, ONB’s lending to borrowers of low- and moderate-income levels is satisfactory in view of the demographics of the assessment area.

Of our residential real estate sample, approximately 25% of the number of loans and 10% of the dollar volume of loans were granted to low- and moderate-income borrowers. This type of lending was determined to be a credit need in the community, as per our community contact. Distribution at other income levels is considered reasonable.

<b>Distribution of Residential Loans by Borrower Income Level in Assessment Area</b>				
<b>Income Level</b>	<b>% Families in Assessment Area</b>	<b>% of Loans by Number</b>	<b>% of Loans by Dollar</b>	<b>Average Loan (\$000)</b>
<b>Low</b>	<b>17%</b>	<b>13%</b>	<b>4%</b>	<b>23</b>
<b>Moderate</b>	<b>20%</b>	<b>12%</b>	<b>6%</b>	<b>42</b>
<b>Middle</b>	<b>23%</b>	<b>15%</b>	<b>10%</b>	<b>57</b>
<b>Upper</b>	<b>40%</b>	<b>60%</b>	<b>80%</b>	<b>112</b>

The bank’s lending volume regarding loans to small businesses is satisfactory. This type of lending was also determined to be a credit need in the community as per our community contact. We chose a sample of 20 business loans originated within the bank's assessment area. Of that number, 12 loans, or 60%, were made to businesses having annual revenues less than \$1 million.

Total Annual Revenue	Percentage of Total Business Loans Sampled		
	Number of loans	Dollar Volume	% Business in Assessment Area
<\$500 thousand	50%	43%	63%
\$500 to \$999 thousand	10%	2%	4%
<\$1 million (small business)	60%	45%	67%
>\$1 million (large business)	40%	55%	5%

### Geographic Distribution of Loans- Meets the Standard for Satisfactory Performance

There is a reasonable distribution of loans extended within the bank's assessment area. The following table reflects the distribution of residential real estate loans within the bank's assessment area by income designation of census tract.

Geographic Analysis of Loans by Percentage Originating During 2000,2001 and 2002			
Type Of Census Tract	Percentage of Loans Within the Type of Census Tract	Percentage of Dollar Amount of Loans Within the Type of Census Tract	Owner Occupied Housing Within the Type of Census Tract
Low-Income	0	0	Less than 1%
Moderate-Income	4%	1%	3%
Middle-Income	72%	63%	79%
Upper-Income	24%	36%	17%

This distribution is reasonable given the geographic size of the bank's assessment area, which comprises 46 census tracts. The sample analysis disclosed that ONB has originated loans in 80% of the county census tracts and 1% in the dollar volume of loans in low- and moderate-income census tracts. This distribution is considered reasonable and consistent with the low volume of low- and moderate-income tracts in the assessment area, along with the location of the bank's office, financial and human resources, and families within the respective census tracts.

### Responses to Complaints

ONB has not received any written complaints concerning its performance in helping to meet the credit needs within its assessment area.

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

An analysis of 1999 through 2003 public comments, consumer complaint information and 1999 through 2002 HMDA lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed 1997.