



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 33126

PUBLIC DISCLOSURE

February 10, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Indian River National Bank
Charter Number 18582**

**958 20th Place
Vero Beach, Florida 32960**

**Office of the Comptroller of the Currency
South Florida Field Office
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 the **Indian River National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 10, 1998**. 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: “Satisfactory Record of Meeting Community Credit Needs”

Indian River National Bank's (referred to as IRNB or the bank) CRA performance was evaluated using the small bank criteria. Our evaluation covered the period of July 1996 to December 1998 but we focused on 1997 and 1998 lending activity. At the last CRA examination, we rated the bank's performance satisfactory. This evaluation found that the bank maintains a **Satisfactory Record of Meeting Community Credit Needs**. The bank demonstrated particularly strong performance in its origination of residential real estate and small business loans. Both are major community credit needs.

The bank's average loan to deposit ratio since the last CRA examination is reasonable. A substantial majority of the bank's loans are inside the assessment area. Loans originated in 1997 and 1998 were reasonably distributed throughout census tracts, and granted to borrowers, of different income levels. Lending to small businesses and small farms is significant and consistent with the demographics of the community.

The following table indicates the performance level of the **Indian River National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Indian River National Bank</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		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

IRNB is a \$224 million locally owned and operated community bank headquartered in Vero Beach, Florida in Indian River County. The bank is wholly owned by Indian River Banking Company, a one bank holding company. The bank has four branches, including its main office, in Indian River County. During March 1998 the bank opened a branch in Brevard County in the city of Palm Bay.

The bank's primary business focus is residential, small business, and consumer loans. As of December 31, 1998 the loan portfolio consisted of 77% real estate loans (43% residential, 28% commercial, and 6% other types), 9% commercial loans, and 14% consumer loans. The bank offers deposit products and banking services suitable for the community. The bank has drive-in facilities at all branches, and ATMs at some locations with access to major networks.

No financial or legal impediments affect the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF IRNB's ASSESSMENT AREA

IRNB's assessment area is Indian River County, which is not a Metropolitan Statistical Area (MSA). After the opening of a branch in March 1998, the bank expanded its assessment area to include the city of Palm Bay and its surrounding areas. This new portion of the assessment area is contiguous to Indian River County and is part of Brevard County, a MSA. The assessment area meets the legal requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas.

According to the 1990 U.S. Census, Indian River County consists of 24 census tracts. The income characteristics of these census tracts are: 4% moderate income, 33% middle income, and 58% upper income. There are no low income census tracts and 4% (or one census tract) is uninhabited. The Palm Bay portion of the assessment area consists of 21 of the 89 census tracts of Brevard County. The income characteristics of these 21 census tracts are: 33% moderate income, 52% middle income, and 14% upper income. There are no low income census tracts.

The U.S. Census and the Department of Housing & Urban Development (HUD) estimated statewide non-MSA median family income for 1997 was \$32,500 and for 1998 was \$33,300. This income level was used to evaluate the reasonableness of the distribution of bank loans originated in Indian River County to individuals of different income levels.

The local economy is stable. Competition from other financial institutions is strong. Principal employers in the area include the school district, hospital, and the tourist and citrus industries.

We reviewed recent community contacts made by federal banking regulators and found that the major community credit needs are for affordable housing and small business loans. We found that the bank is helping to meet these credit needs in a satisfactory manner.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

IRNB's average loan to deposit ratio since the last CRA examination was 71%. We were only able to find one bank that was similar to IRNB's asset size, target market, and was locally owned and operated, to use as a comparison. That other bank had an average loan to deposit ratio of 83% during the same evaluation period. While IRNB's ratio is lower than the other bank, it is reasonable when considering IRNB's lending policies and overall lending record in the assessment area (discussed in the other performance criteria). Moreover, our analysis/comparison is limited because we could only compare IRNB's average loan to deposit ratio to one other bank.

Lending in the Assessment Area

IRNB's lending in its assessment area is good. A substantial majority of real estate related loans, which represent 77% of the loan portfolio, originated in 1997 and 1998 were in the assessment area. In 1997, 94% of these loans were originated in the assessment area. In 1998, 88% of these loans were originated in the assessment area. Our measurement is by number of loans. The decline from 1997 to 1998 is attributed to expansion of residential lending activity to a wider area particularly sections of Brevard County that are not within the current assessment area.

Review of various management reports, and our own experience with this bank, indicate that a substantial majority of the remaining 23% of the loan portfolio are loans to borrowers that reside or do business in the assessment area.

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

Lending to borrowers of different incomes and to businesses of different sizes is reasonable.

Borrowers of Different Incomes

The bank is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) because it did not have a banking office in a MSA until March 1998. The bank began collecting HMDA data January 1, 1999. Due to the lack of HMDA loan data we evaluated performance in this area by **sampling real estate and consumer loans**. Moreover, we limited our sample and analysis to loans originated in Indian River County because this is where most of the lending took place in 1997 and 1998.

We sampled 20 loans originated in 1997 and 36 loans originated in 1998 to determine the income levels of these borrowers. We found that these loans were reasonably distributed amongst borrowers of different income levels. Also, the percentage of loans made to each income level approximates the percentage of families in each income level in Indian River County.

The following two tables illustrate our findings.

Year 1997

Income Levels	Distribution of a Sample of Loans	Percentage of Families in these Income Levels in Indian River County
Low Income	0%	10%
Moderate Income	10%	15%
Middle Income	30%	20%
Upper Income	60%	55%

Year 1998

Income Levels	Distribution of a Sample of Loans	Percentage of Families in these Income Levels in Indian River County
Low Income	9%	10%
Moderate Income	22%	15%
Middle Income	33%	20%
Upper Income	36%	55%

Business of Different Income Levels

Lending activity to small businesses and small farms is good. Due to its asset size, IRNB is not required to monitor the distribution of its commercial loans. However, management believes that the vast majority of local businesses are small businesses with revenues of less than \$1 million. With data on revenues unavailable, we considered loans less than \$1 million an indicator of small business loans. IRNB originated only 4 loans in 1997 and 1998 that exceeded \$1 million. Moreover, we noted business loans originated during this period for amounts as low as \$10 thousand.

Our commercial and commercial real estate loan sample found that 78% of the loans reviewed were to businesses with revenues of less than \$1 million.

Geographic Distribution of Loans

Lending patterns throughout the assessment area are reasonable. Lending activity is primarily in areas close to the bank’s five offices. However, there are no large areas in the assessment area without loan penetration.

We reviewed management reports that showed the distribution of real estate related loans (these loans represent 77% of the loan portfolio). We compared the geographic distribution of these loans to the percentage of census tracts in the four income levels in the assessment area. As the following tables illustrate, the bank’s loans are reasonably distributed among census tracts of different income levels. Also, the loan distribution approximates the income distribution of the census tracts of the assessment area. Loan data for the Brevard County branch was available and included using the demographics of Brevard County in the comparisons.

Indian River County - 1997

Income Level of Census Tract	Percentage of Real Estate Loans in the Census Tract (Number of Loans)	Percentage of Real Estate Loans in the Census Tract (Amount of Loans)	Distribution of Census Tracts in the Assessment Area
Low	n/a	n/a	0%
Moderate	3%	4%	4%
Middle	45%	45%	33%
Upper	52%	51%	59%
Uninhabited	0%	0%	4%

Indian River County - 1998

Income Level of Census Tract	Percentage of Real Estate Loans in the Census Tract (Number of Loans)	Percentage of Real Estate Loans in the Census Tract (Amount of Loans)	Distribution of Census Tracts in the Assessment Area
Low	n/a	n/a	0%
Moderate	3%	2%	4%

Middle	39%	30%	33%
Upper	58%	68%	59%
Uninhabited	0%	0%	4%

Brevard County - 1998

Income Level of Census Tract	Percentage of Real Estate Loans in the Census Tract (Number of Loans)	Percentage of Real Estate Loans in the Census Tract (Amount of Loans)	Distribution of Census Tracts in the Assessment Area
Low	n/a	n/a	0%
Moderate	10%	6%	25%
Middle	74%	72%	52%
Upper	16%	22%	19%
Uninhabited	0%	0%	4%

Response to Complaints

IRNB has not received complaints regarding its CRA activities.

Compliance with Antidiscrimination Laws and Regulations

The compliance examination performed concurrently with this CRA performance evaluation found no violations of the substantive provisions of antidiscrimination laws and regulations.