



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank of Pasco County
Charter Number 21842**

**6930 Gall Boulevard
Zephyrhills, FL 33540**

**Comptroller of the Currency
Southern District
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Community National Bank of Pasco County (CNB) performance rating is supported by the following.

- CNB maintains a reasonable loan-to-deposit ratio in comparison to similar-sized institutions;
- a substantial majority of residential real estate loans and business loans are made within the assessment area (AA);
- lending distribution to low- and moderate-income borrowers and to businesses of different sizes is reasonable given the demographics of the assessment area; and,
- geographic distribution of residential loans throughout the assessment area is reasonable.

DESCRIPTION OF INSTITUTION

CNB is an independent community bank chartered in 1989. The main office is located in Zephyrhills, Pasco County, Florida. CNB is a subsidiary of CenterState Banks of Florida, Inc., a multi-bank holding company located in Winter Haven, Florida, with total assets of \$526 million as of March 31, 2003. Affiliated institutions include First National Bank of Osceola County, First National Bank of Polk County and CenterState Bank. CNB's corporate structure is unchanged from the prior CRA examination. The bank operates nine offices in five counties in Florida. The bank offers automated teller machines (ATM) access at some of the branches, drive-up facilities and Internet banking. Additionally, the bank offers ATM/debit cards, which allows access from many locations throughout Florida and the country.

As of March 31, 2003, CNB reported total assets of \$164 million with a loan portfolio of \$130 million. The bank offers a variety of lending products but generally its primary focus has been residential real estate loans. As of that date, the bank's loan portfolio mix was commercial real estate (44%), 1-4 family residential (39%), commercial and industrial (13%), and consumer (4%). Total deposits were \$152 million.

There are no financial conditions, legal constraints or other factors that hinder the bank's ability to meet the credit needs of its assessment area. The last CRA examination for CNB was January 27, 1999 and the bank received a "Satisfactory" rating. The evaluation period for this CRA examination is from January 1999 to April 2003.

DESCRIPTION OF ASSESSMENT AREA

The assessment areas of CNB are the contiguous counties of Pasco, Sumter, Lake, Citrus and Hernando. The AA's meet the technical requirements of the Community Reinvestment Act and do not arbitrarily exclude low- or moderate-income geographies. Because the geographies of the counties are distinct, a separate description of each assessment area follows. Demographic information is based on 1990 U. S. Census Bureau data.

Pasco County: This assessment area is part of the Tampa/St. Petersburg Metropolitan Statistical Area (MSA #8280). The AA consists of 15 of the census tracts located east of the county; 10 moderate-income and 5 middle-income tracts. This is based on the 1990 Census median family income of \$31,244. The updated median family income for 2002¹ is \$47,700. CNB has three branches located in this county - the main office in Zephyrhills, and the West Zephyrhills and Dade City offices. All three offices are located in moderate-income tracts.

There are 19,113 families in the assessment area. Generally, most parts of the county have experienced a significant housing boom over the last several years. Most of the surge in the housing market is due to the lower taxes, better homes for the money and quick commute to jobs in Tampa and St. Petersburg. A large part of the county's economy is driven by service-related industries as it is also the home of winter residents. There is significant employment in the retail trade and in government. Unemployment is at 5%. The major private employers in the county are Pasco Beverage Company, Pall Aeropower Corporation and Zephyrhills Spring Water. Banking competition is strong with 6 regional banks, 4 credit unions and 17 locally based community banks.

Lake County: This assessment area is part of the Orlando Metropolitan Statistical Area (MSA #5960). The assessment area consists of 5 of the census tracts located in this county; 1 moderate-income and 4 middle-income tracts. This is based on the 1990 Census median family income of \$34,389. The updated median family income for 2002¹ is \$54,700. CNB has two branches located in this county – the Groveland and Clermont offices. The branches are located in moderate- and middle-income tracts, respectively. There are 10,314 families in the assessment area.

The local economy is driven by service related industries, as it is also home to many winter residents. Major employers include Lake County Public Schools, Village of Lake-Sumter Inc., Leesburg Regional Medical Center and Florida Hospital. A significant portion of the population commutes to Orlando for their jobs. Unemployment is at 4.7%. Banking competition is strong with 5 regional banks, 1 credit union and 11 locally based community banks.

Sumter County: This assessment area is located northeast of Pasco County. The county is primarily rural and designated as a non-metropolitan area. The geographies are separated into block numbering areas (BNAs). The assessment area consists of all 7 BNAs located in this county; 1 moderate-income and 6 middle-income. This is based on the 1990 Census median

¹ Source: Housing and Urban Development (HUD)

family income of \$25,874. The updated median family income for 2002¹ is \$40,200. CNB has two branches in this county – the Wildwood and Bushnell offices. Both branches are located in the middle-income tracts. There are 8,996 families in the assessment area. The main industries other than farming are trade and service. Major employers in the community include Coleman Federal Correctional Complex, The Villages, Sumter Electric Company and Metal Industries. Unemployment is at 4.5%. Banking competition is limited due to the small population and rural nature of the county.

Hernando County: This assessment area is located north of Pasco County and is part of the Tampa-St. Petersburg MSA (#8280). The assessment area consists of all the 16 census tracts in the county; 6 moderate-income and 10 middle-income tracts. This is based on the 1990 Census median family income of \$31,244. The updated median income for 2002¹ is \$50,500. CNB has a branch in Spring Hill, which is located in a middle-income tract. Spring Hill is the county's largest community. There are 101,115 families in the assessment area. In 2001, the Florida Department of Transportation opened 42 miles of the Suncoast Parkway connecting northern Hernando County with Hillsborough County. This north-south toll road significantly reduced the driving distance between Tampa and many Spring Hills residents. As a result, the county has experienced a tremendous housing boom over the last several years with many residents moving out of Tampa for cheaper housing. Furthermore, the county is also a desirable destination for the northern winter residents. The main industries are residential construction, distribution and limestone mining and cement production. Major employers in the community include Wal-Mart Distribution Center, Oak Hill Hospital, and Spring Hill and Brooksville Regional Hospitals. Unemployment is at 5.2%. Because of the growth in the county, banking competition is becoming strong with 5 regional banks, 3 credit unions and 7 locally based community banks.

Citrus County: This assessment area is located north of Hernando County. The assessment area is primarily rural and designated as a non-metropolitan area. The geographies are separated into block numbering areas (BNAs). The AA consists of all 17 BNAs located in this county; 15 middle-income and 2 upper-income. This is based on the 1990 Census median family income of \$25,874. The updated median family income for 2002¹ is \$40,200. CNB has a branch in Inverness, which is located in a middle-income tract. The number of banks in this county is growing as the county is also targeted for growth. Based on the 2002 Census, the population of Citrus County is 123,008, an increase of 32% from the 1990 census. Major employers in the community include Citrus County School Board, Florida Power Corporation and Citrus Memorial Hospital.

COMMUNITY CONTACTS - As part of our examination, we contacted a local community development organization to determine available credit needs within the bank's community. The organization we contacted administers local government-supported programs that promote economic development. Based on information obtained through our community contact, the primary needs in the assessment area are affordable mortgage programs for low- and moderate-income families.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- **Loan-To-Deposit Ratio - Meets the Standard for Satisfactory Performance**

CNB's loan-to-deposit ratio (LTD) is reasonable compared to other similar-sized banks. The bank's average LTD ratio from the last CRA examination in January 1999 through December 2002 was 75% compared to national peer bank averages for the same period of 76%. The bank's LTD is slightly above the average LTD ratio of 70% for local peer banks for the same period. Local peer banks consist of ten similarly sized banks with average total assets between \$100 million and \$250 million, and headquartered in Hillsborough, Lake, Pasco, Sumter, Citrus and Hernando counties.

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

A substantial majority of the bank's loans is made within the assessment area. This conclusion is based upon an analyses of all residential loans originated and reported on the Home Mortgage Disclosure Act – Loan Application Register (HMDA-LAR) from January 2001 through April 2003. Residential lending is the bank's primary loan product and representative of the bank's lending pattern. We also sampled 50 business loans originated between January 1, 2002 and March 31, 2003, which revealed that a substantial number of those loans were made to borrowers in the assessment area. The table below summarizes our analyses.

Table-1

Assessment Area Lending								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	% of Number	\$000's	% of \$Amount	#	% of Number	\$000's	% of \$Amount
Residential Loans	585	86%	36,159	84%	94	14%	6,844	16%
Business Loans	49	98%	6,090	87%	1	2%	950	13%

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

The bank's record of lending indicates reasonable dispersion to borrowers of different incomes given the demographics of the community. This conclusion is based on our analysis of all borrower income data collected in accordance with the HMDA-LAR from January 2001 to April 2003. We then compared the data with the income distribution of families in each assessment area, using the 2001 and 2002 HUD median family income levels. Our analysis indicates that CNB has a satisfactory record of making residential loans to low- and moderate-income individuals considering the number of loans originated. Additionally, the dispersion of loans to other income levels appears reasonable. The table below summarizes our analyses.

Table-2

Income Levels	Pasco County			Lake County			Sumter County		
	Loan Distribution		Families in AA	Loan Distribution		Families in AA	Loan Distribution		Families in AA
	#	\$		#	\$		#	\$	
Low-Income	18%	11%	28%	4%	1%	22%	18%	7%	24%
Moderate-Income	26%	17%	25%	16%	12%	24%	11%	5%	19%
Middle-Income	22%	22%	24%	28%	24%	25%	20%	16%	23%
Upper-Income	34%	50%	23%	52%	63%	29%	51%	72%	34%

Income Levels	Hernando County			Citrus County		
	Loan Distribution		Families in AA	Loan Distribution		Families in AA
	#	\$		#	\$	
Low-Income	7%	2%	22%	9%	5%	17%
Moderate-Income	27%	24%	26%	22%	13%	23%
Middle-Income	36%	38%	26%	35%	36%	23%
Upper-Income	30%	36%	26%	34%	46%	37%

Lending in Hernando and Citrus counties was somewhat limited as each county only has one branch, which opened for business in October 2002. The majority of the bank's loans, particularly mortgage loans, are made in Pasco County. Mortgage loans to low- and moderate-income individuals in Lake County are somewhat limited too compared to the population. Management of CNB views this as an opportunity to further market various mortgage products to low- and moderate-income families.

The bank has a satisfactory record of lending to businesses of different sizes. Using the same business loans originated as discussed in the previous performance criteria, we determined that the bank makes loans to businesses of varying sizes, but primarily to small businesses (gross revenue less than \$1 million). Our sample of 50 business loans revealed that 48 loans (96%) were made to small businesses.

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

The geographic distribution of the number of loans reflects satisfactory penetration within the assessment area. For this analysis we used the same loan sample of HMDA-LAR loan originations within the assessment area in Table-1. We then compared the geographic distribution of residential loans to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential mortgages. The lower the level, the fewer the opportunities available for home improvements, refinances or other mortgage loans. Residential lending within each assessment area reflects a good distribution of loans within the moderate-, middle- and upper-income census tracts given the proportion of each income tract within the county. The table below summarizes the results of our findings.

Table-3

Census Tract	Pasco County				Lake County			
	Census Tract	Total Number of Loans Originated	Dollar Volume of Loans Originated	Owner Occupied Housing	Census Tract	Total Number of Loans Originated	Dollar Volume of Loans Originated	Owner Occupied Housing
	%	%	%	%	%	%	%	%
Low	NA	0%	0%	0%	NA	0%	0%	0%
Moderate	67%	85%	83%	82%	17%	55%	58%	23%
Middle	33%	15%	17%	18%	83%	45%	42%	77%
Upper	NA	0%	0%	0%	NA	0%	0%	0%

Census Tract	Sumter County				Hernando County			
	Census Tract	Total Number of Loans Originated	Dollar Volume of Loans Originated	Owner Occupied Housing	Census Tract	Total Number of Loans Originated	Dollar Volume of Loans Originated	Owner Occupied Housing
	%	%	%	%	%	%	%	%
Low	NA	0%	0%	0%	NA	0%	0%	0%
Moderate	14%	25%	33%	14%	38%	25%	33%	28%
Middle	86%	75%	67%	86%	62%	75%	67%	72%
Upper	NA	0%	0%	0%	NA	0%	0%	0%

Census Tract	Citrus County			
	Census Tract	Total Number of Loans Originated	Dollar Volume of Loans Originated	Owner Occupied Housing
	%	%	%	%
Low	NA	0%	0%	0%
Moderate	NA	0%	0%	0%
Middle	88%	49%	61%	90%
Upper	12%	51%	39%	10%

- **Response to Consumer Complaints - Not Applicable**

We reviewed complaint records maintained by our agency and those maintained by the bank. CNB has not received any consumer complaints relative to Community Reinvestment Act performance during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

An analysis of years 1999-2002 public comments, consumer complaint and HMDA data was performed according to the OCC's risk-based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination this year in connection with the CRA evaluation. The latest comprehensive fair lending examination was performed in 1999.