



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

July 13, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FineMark National Bank & Trust
Charter Number 24719

12681 Creekside Lane Fort Myers, FL 33919

Office of the Comptroller of the Currency
Tampa Field Office
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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**.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- *The bank's level of lending, as reflected in the bank's quarterly average loan-to-deposit ratio is reasonable given the bank's size and performance context factors.*
- *A majority of home mortgage and business loans originated and purchased over the evaluation period was within its assessment area (AA).*
- *The bank's record of lending reflects a reasonable distribution of loans among borrowers of different incomes and among businesses of different sizes, given the performance context.*
- *The geographic distribution of lending reflects a reasonable dispersion of loans to borrowers and businesses in geographies of different incomes, given the performance context.*
- *The bank's Community Development (CD) performance demonstrates adequate responsiveness to CD needs through CD loans, qualified investments and CD services.*

Scope of Examination

This Performance Evaluation (PE) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated the bank's performance under the Intermediate Small Bank (ISB) Test using the Interagency Community Reinvestment Act (CRA) procedures, which included a lending test and a community development test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified loans, investments and service activities.

The lending test covers the bank's performance from January 1, 2012 through December 31, 2014. The evaluation period for community development loans, investments and services covers the period of January 7, 2010 through July 13, 2015.

Based on discussions with bank management and both the number and dollar amount of loan originations and purchases for the bank for the years 2012, 2013, and 2014 and lending strategy, the bank's primary loan products were residential real estate and business lending as noted in the table below. Residential real estate originations accounted for the majority of loans by number with 795 (62 percent of total) and \$406 million (56 percent) in dollar volume. Business originations accounted for 481 (38 percent) in number and \$325 million in dollar volume. As such, our evaluation of the

bank's lending performance will reflect residential real estate and business loan products.

Loan Originations for the time period of 1/1/12 through 12/31/14		
Loan Type	Number of originations	Percentage (%)
Residential RE	795	62%
Commercial/CRE	481	38%
Total originations	1,276	100%

For our examination and lending performance analysis, we relied on residential real estate loans reported on the 2012, 2013, and 2014 Home Mortgage Disclosure Act-Loan Application Registers (HMDA) and business loan reports generated by the bank for the years 2012, 2013, and 2014. We conducted a data integrity review in the first quarter of 2015 and found the HMDA and business loan data to be reliable and accurate. As such, our lending conclusions were based on analysis of all HMDA data (795 loans) and a statistical random sample of 108 business loans originated and purchased during this period.

Community development loans, investments, and services submitted by bank management were verified to ensure accuracy and that they met the regulatory definition of community development.

Description of Institution

FineMark National Bank & Trust (FNB&T) is an interstate nationally chartered bank and trust company headquartered in Fort Myers, Florida. FNB&T is a wholly owned subsidiary of FineMark Holdings, Inc., also headquartered in Ft. Myers. FNB&T opened for business on February 16, 2007.

FNB&T operates eleven full-service banking offices with nine offices located in Fort Myers, Bonita Springs, Naples, and Palm Beach, Florida, and two offices in Scottsdale, Arizona. Eight offices were opened and none was closed during the evaluation period. The bank offers a full range of personal, business, and trust banking products and services. The bank also offers a variety of loan products to individuals and businesses, but generally, its primary focus has been in residential real estate and business lending. The bank also offers a few deposit and lending products that are considered responsive to the banking needs of low- and moderate-income individuals and to small businesses. Specifically, the bank has developed an Affordable Housing Loan Product that is geared towards low- and moderate-income individuals and families. Since the prior CRA exam, the bank originated 16 residential real estate loans totaling \$804 thousand under this program. In addition, six affordable residential real estate loans totaling \$400 thousand were made through the Federal Home Loan Bank Set-Aside Program. Further, during the evaluation period, two AAs directly benefitted from the bank's purchase of 71 residential real estate loans totaling \$5.2 million from a nonprofit housing community development organization. These loans were made to low-and moderate-income

persons in low-and moderate-income geographies. Refer to the section below titled *Community Development Services* for more details regarding the bank's products and services geared towards low- and moderate-income individuals and small businesses.

As of March 31, 2015, the bank had total assets of \$935 million with total loans comprising 72 percent of total assets, or \$671 million. The loan portfolio charted below consists of 72 percent residential real estate, 22 percent commercial and commercial real estate, and 6 percent consumer loans.

Composition of the Loan Portfolio as of 3/31/15		
Loan Type	Dollar Amount (000)	Percentage (%)
Consumer	\$ 37,683	6%
Commercial/Commercial RE	\$ 150,084	22%
Residential RE	\$ 483,260	72%
Total Loans	\$ 671,027	100.00%

There are no financial or legal impediments that would prevent the bank from meeting the credit needs of the community it serves. However, the financial crisis had a negative impact on local economies in all the AAs and recovery has been sluggish. As such, FNB&T's opportunity to lend, especially to low- and moderate-income borrowers, as well as to small businesses, has been impacted by the weak economy, which only recently has seen some improvement. The bank received a "Satisfactory" rating at the last CRA examination dated January 6, 2010.

Selection of Areas for Full-Scope Review

The bank has four AAs, three in the State of Florida and one in the State of Arizona. The three AAs in Florida include the entire counties of Lee, Collier, and Palm Beach. The AA in Arizona consists of Maricopa County. We selected a full-scope review for each state in which the bank has an office. Within the State of Florida, we selected Lee County AA for a full-scope review as the bank has operated in this AA for the entire evaluation period and this AA represents 84 percent of the bank's deposits as of June 30, 2014, and approximately 66 percent of home mortgage and business loans evaluated at this examination. The Collier County and the Palm Beach County AAs were evaluated using limited-scope procedures. Descriptions of each AA are contained in the respective State section of this evaluation.

Ratings

The bank's overall rating is a blend of the state ratings. In reaching our overall conclusion, primary consideration was given to performance in the State of Florida, which represents 95 percent of the bank's deposits as of June 30, 2014, and 83 percent of HMDA and business loans originated during the evaluation period. Within the State of Florida, more weight was given to the Lee County AA due to the significance in terms of deposit and loan volume. Performance in limited-scope AAs was considered in the

overall rating relative to performance in the full-scope AA. Home mortgage lending received more consideration to business lending in arriving at conclusions for the Lending Test based on loan volumes in the evaluation period. The bank originated 795 HMDA loans and 481 business loans during the evaluation period.

Conclusions with Respect to Performance Criteria

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

The bank’s level of lending, as reflected in the bank’s quarterly average loan-to-deposit ratio (LTD), is reasonable given the bank’s size and performance context factors. The bank’s quarterly average LTD ratio since the preceding CRA evaluation (22 quarters beginning with the fourth quarter of 2009) is 74.42 percent, ranging from a high of 90.22 percent in the fourth quarter of 2012 to a low of 52.97 percent in the first quarter of 2011. For the same period, FineMark’s quarterly average ratio of 74.42 percent is slightly higher than the 73.11 percent ratio of eight similarly situated banks operating in the bank’s AAs. The quarterly average high LTD ratio for these eight banks was 98.01 percent and the low was 57.55 percent. Few community banks located within FNB&T’s AAs offers trust products and services. We used in our analysis eight community banks that management considered similarly situated. These banks have less than \$1.2 billion in assets, branch locations in the AAs, and offer similar lending and deposit products. Only one bank offers trust services.

Lending in Assessment Area-Meets the Standard for Satisfactory Performance

A majority of home mortgage and business loans originated and purchased by FNB&T over the evaluation period was within its AA. This conclusion is based on an analysis of all HMDA reported mortgage home loans (795) and a sample of business loans (108) originated and purchased during the period of January 1, 2012, through December 31, 2014. As detailed in the table below, 84.16 percent by number and 84.19 percent by dollar amount of originated and purchased loans were within FNB&T’s AA.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	675	84.91	120	15.09	795	341,707	84.25	63,864	15.75	405,571
Business Loans	85	78.70	23	21.30	108	73,972	83.87	14,224	16.13	88,196
Totals	760	84.16	143	15.84	903	415,679	84.19	78,088	15.81	493,767

Source: HMDA and sample of business loans for the period of January 1, 2012 through December 31, 2014.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (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.

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

State Rating

State of Florida

CRA Rating for Florida: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Satisfactory.

- *The bank's record of lending reflects a reasonable distribution of loans among borrowers of different incomes and among businesses of different sizes, given the performance context.*
- *The geographic distribution of lending reflects a reasonable dispersion of loans to borrowers and businesses in geographies of different incomes, given the performance context.*
- *The bank's CD performance demonstrates adequate responsiveness to CD needs of its AA through CD loans, qualified investments and CD services.*

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA

Full Scope Assessment Area:

Description of the Lee County (Cape Coral-Fort Myers MSA) Assessment Area

The AA, Cape Coral-Fort Myers Metropolitan Statistical Area (MSA) #15980, is located in southwest Florida. The AA consists of 166 census tracts within Lee County. Fort Myers is the county seat for Lee County. The AA meets the technical requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB&T has four full service branch offices located in the AA. One office is located in Bonita Springs, one in Estero, and the remaining two offices are located in Fort Myers. Out of the four branch locations, one is located in a middle-income census tract (Shell Point) and the other three are located in upper-income tracts (Bonita Bay, Coconut Point, and Riverwalk). The main office located in Fort Myers opened in 2008, two offices opened in 2009, and the fourth in 2015.

Specific 2010 and 2014 demographic and economic data for the AA are detailed below.

Census 2010 and 2014 Demographic and Economic Characteristics of the Lee County Assessment Area			
Population		Geographies	
Total Persons	618,754	Number of Census Tracts	166
Number of Households	245,751	% Low-Income Census Tracts (5)	3.01%
Median Family Income (MFI)	\$58,000	% Moderate-Income Census Tracts (32)	19.28%
<i>Based on 2013 MFI</i>		% Middle-Income Census Tracts (80)	48.19%
Low-Income individuals earn	<\$29,000	% Upper-Income Census Tracts (48)	28.92%
Moderate-Income individuals earn	\$29,000-\$46,400	% NA (1)	0.60%
Income Distribution		Non-Farm Businesses	
Number of Families	162,925	Number of Businesses located in the AA	78,735
Families residing in the AA by income category		% of Small Businesses located in the AA	73.57%
% Low-Income Families	18.96%	% of Large Businesses	2.73%
% Moderate-Income Families	18.96%	% of Business with no revenues reported	23.70%
% Middle-Income Families	21.42%	% of Biz in Low-Income Census Tracts	3.41%
% Upper-Income Families	40.66%	% of Biz in Moderate-Income Census	14.66%
		% of Biz in Middle-Income Census Tracts	52.08%
		% of Biz in Upper-Income Census Tracts	29.77%
		% of Biz in NA census Tracts-0.08%	
<i>Source: 2010 Census, 2014 FFIEC Median Family Income Data and 2014 Dunn and Bradstreet Data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 618,754. Close to 10.5 percent of all households in the AA, live below the poverty level. Total occupied housing units in the AA total 245,751, consisting of 183,928, or 51 percent of owner-occupied housing, and 61,823, or 17 percent occupied by renters. Approximately 67 percent of all housing units are 1-4 family and 22 percent are multifamily housing. Close to 33 percent, or 118,141 housing units, are vacant. Approximately 1.32 percent of the owner-occupied units are located in low-income geographies and 14.17 percent in moderate-income geographies. Based on 2014 Dunn and Bradstreet demographic data there are 78,735 non-farm businesses throughout the AA of which 57,927, or 73.57 percent, are small businesses.

The AA is located on the southwest coast of Florida, south of the Tampa-St. Petersburg metro area, and northwest of the Miami-Dade metro area. Cape Coral is the largest city in Lee County by population, bordered on the northeast by Fort Myers and on the southwest by Sanibel. Bonita Springs is located southern edge of the county, with Estero located directly north of Bonita Springs. Although the economy in the AA is highly dependent on tourism and the retirement population, making the service and retail sectors very important and sensitive to national business cycles, Lee County has been focusing on diversifying its economic base by attracting a favorable environment for other industries. Historically the majority of in-migrants have been retirees, however, in recent years the metro area’s working-age population has also expanded, indicating that young workers are finding desirable employment opportunities. Leisure/hospitality payrolls have grown 3 percent over the past year and are expected to keep pace as the large baby boomer cohort is expected to retire over the next several years.

One of the recent economic events in the AA was the Hertz Corporation relocating its worldwide headquarters to Estero. Other major employers in the AA include Lee Memorial Health Systems, Publix Supermarkets, Wal-Mart Stores, Inc., and Florida Gulf Coast University. Leading industries include state and local government, leisure and hospitality, retail, and healthcare.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA had been adversely impacted in the last several years due to high unemployment rates, foreclosures and significant declines in home values. Although the economic recovery is still in process and healthy in-migration and steady job growth should move the economy going forward, weaknesses that continue according to *Moody's Analytics* is the housing correction due to the high level of foreclosures and housing prices may continue to decline from its peak in 2006.

Unemployment rates in the AA during the evaluation period have been historically higher than the national rate. However, the 2015 indicators suggested the AA has started to exhibit signs of economic recovery as evidenced by the continuous unemployment rate-declining trend. According the U.S. Department of Labor, Bureau of Labor Statistics information, the May 2015 not seasonally adjusted unemployment rate for Lee County was 5.2 percent, which is slightly lower than the state rate of 5.6 percent and national rate of 5.3 percent. In addition, the current unemployment rate reflects an improvement in comparison to the AA's May 2014 rate of 6 percent.

The AA has experienced a volatile housing market in the past several years as home values quickly escalated and declined in a short period. According to Realtytrac, the State of Florida ranked as the top state for foreclosures nationwide for the period 2013, 2014 with the trend continuing in 2015. Lee County is reporting one in every 615 housing units received a foreclosure filing as of May 2015 in comparison to the state rate of one in every 409 housing units and the national rate of one in every 1,041 housing units. The level of foreclosures is a slight improvement from the same period last year but continues to impact housing prices. According to data from Zillow, the median home value as of May 2015 for Lee County was \$190,300, a 9.4 percent increase from the same period last year however still significantly lower than the peak of \$298,000 in March 2006. As a result, homeowners continue to report negative equity positions.

Recent reports show the AA continues to be a leader within the nation in all-cash home real estate sales transactions, limiting the ability of banks in the AA to provide home mortgage financing, especially to low- and moderate-income persons. In addition, lower housing values may affect the ability for a homeowner to sell or refinance resulting in limited mortgage lending opportunities, especially for low-and moderate-income persons.

There is considerable banking competition for financial services in the AA consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation (FDIC) deposit market share data as of June 30, 2014, there were a 35 deposit taking financial institutions in Lee County operating 224 branches. FNB&T had

a deposit market share of 4.06 percent and ranked 6th among banks in the AA. Wells Fargo Bank, N.A., Bank of America, N.A., SunTrust Bank, Fifth Third Bank, and Branch Banking and Trust Company continue to dominate the market with a combined 59.76 percent deposit market share.

Limited Scope Assessment Areas:

Description of the Collier County (Naples-Immokalee-Marco Island) Assessment Area

The AA, Naples-Immokalee-Marco Island MSA #34940, is located in southwest Florida. The AA consists of 73 census tracts within Collier County. Naples is the county seat for Collier County. The AA meets the technical requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB&T has four full service branch offices located in the AA, all located in Naples. Out of the four branch locations, one is located in a middle-income census tract (Bentley Village) and the other three are located in upper-income tracts (Marbella, Moorings Park and Pelican Bay). Two offices opened in 2011, one in 2014 and one in 2015.

Specific 2010 and 2014 demographic and economic data for the AA are detailed below.

Census 2010 and 2014 Demographic and Economic Characteristics of the Collier County Assessment Area			
Population		Geographies	
Total Persons	321,520	Number of Census Tracts	73
Number of Households	119,517	% Low-Income Census Tracts (6)	8.22%
Median Family Income (MFI)	\$62,900	% Moderate-Income Census Tracts (15)	20.55%
<i>Based on 2013 MFI</i>		% Middle-Income Census Tracts (28)	38.36%
Low-Income individuals earn	<\$31,450	% Upper-Income Census Tracts (24)	32.87%
Moderate-Income individuals earn	\$31,450-\$50,320	% NA (0)	0.00%
Income Distribution		Non-Farm Businesses	
Number of Families	81,135	Number of Businesses located in the AA	49,171
Families residing in the AA by income category		% of Small Businesses located in the AA	72.54%
% Low-Income Families	21.14%	% of Large Businesses	2.65%
% Moderate-Income Families	18.31%	% of Business with no revenues reported	24.81%
% Middle-Income Families	19.04%	% of Biz in Low-Income Census Tracts	2.57%
% Upper-Income Families	41.51%	% of Biz in Moderate-Income Census Tracts	13.49%
		% of Biz in Middle-Income Census Tracts	42.12%
		% of Biz in Upper-Income Census Tracts	41.82%
<i>Source: 2010 Census, 2014 FFIEC Median Family Income Data and 2014 Dunn and Bradstreet Data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 321,520. Close to 9.5 percent of all households in the AA, live below the poverty level. Total occupied housing units in the AA are 119,517, consisting of 91,397, or 76 percent, of owner-occupied housing, and 28,120, or 24 percent, occupied by

renters. Approximately 56 percent of all housing units are 1-4 family and 38 percent are multi-family. Close to 39 percent, or 75,012 housing units, are vacant. Less than 2.5 percent of the owner-occupied units are located in low-income geographies and 16.42 percent are located in moderate-income geographies. Based on 2014 Dunn and Bradstreet demographic data there are 49,171 non-farm businesses throughout the AA of which 35,670, or 72.54 percent, are small businesses.

The AA is located on the southwest coast of Florida, south of the Tampa-St. Petersburg metro area, and northwest of the Miami-Dade metro area. Naples is the largest city by population in Collier County. Naples has long been known for attracting tourists and retirees to its beaches along the Gulf of Mexico. The attractive quality of life and numerous upscale amenities and services make Naples a desirable second home destination, many whom are affluent with median household incomes well above the statewide averages. The U.S. Bureau of Economic Analysis noted in 2012, Collier County ranked first in the state of per capita personal income and above the national average. Real estate prices are also very high which contributes to a higher cost of living than most Florida cities. As such, affordable housing for low-and moderate-income individuals is limited.

The AA's economy is primarily served through tourism; however, *Moody's Analytics* noted slowdowns in tourism since mid-2014 and associated hiring slowdowns in the hospitality/leisure industry. Major employers in the AA include Naples Community Hospital Inc., Wal-Mart, Allen Systems Group, Gargiulo Inc., and Marriott International. Leading industries include retail, state and local government, leisure and hospitality, and health care.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA had been adversely impacted in the last several years due to high unemployment rates, foreclosures, and significant declines in home values. Although the economic recovery is still under way in the AA, weaknesses that continue according to *Moody's Analytics*, is the high cost of living and a severe housing correction. However, retiree in-migration continues to expand the population and is expected to aid in the AA's recovery. The long-term forecast projects higher incomes and positive demographic trends that should position the AA for above-average growth.

Unemployment rates in the AA during the evaluation period have been historically higher than the national rate. However, the 2015 indicators suggested the AA has started to exhibit signs of economic recovery as evidenced in the continuous unemployment rate-declining trend. According to the U.S. Department of Labor, Bureau of Labor Statistics information, the May 2015 unemployment rate (not seasonally adjusted) for Collier County was 5.0 percent, which is lower than the state rate of 5.6 percent and national rate of 5.3 percent. In addition, the current unemployment rate reflects an improvement in comparison to the AA's May 2014 unemployment rate of 5.7 percent.

As throughout the country and Florida, the housing crisis had a negative impact on real estate values in the AA during the evaluation period. According to RealtyTrac, the State

of Florida ranked as the top state for foreclosures nationwide for the period of 2013 and 2014 with the trend continuing in 2015. As of May 2015, Collier County is reporting one in every 1,095 housing units received a foreclosure filing as of May 2015. In addition, as of May 2015, the percentage of Collier County homeowners that were underwater on their mortgages is over 11 percent and the percentage of delinquent mortgages was 8.1 percent, which is higher than the national rate of 6 percent.

During the evaluation period, the AA continues to exhibit a severe housing correction. According to data from Zillow, the median home value as of May 2015 for Collier County was \$299,600, a 11.0 percent increase from the same period last year however still significantly lower than the peak of \$446,000 in March 2006. Lower housing values may affect the ability for a homeowner to sell or refinance, resulting in limited mortgage lending opportunities, especially for low-and moderate-income persons. In addition, the AA continues to be a leader within the nation in all-cash home real estate sales transactions, limiting the ability of banks in the AA to provide home mortgage financing, especially to low- and moderate-income persons.

There is significant banking competition for financial services in the AA consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation (FDIC) deposit market share data as of June 30, 2014, there were in total 36 deposit-taking financial institutions in Collier County operating 157 branches. FNB&T had a deposit market share of 0.41 percent and ranked 29th among banks in the AA. Fifth Third Bank, KeyBank N.A., Wells Fargo Bank, N.A. and Bank of American, N.A., continue to dominate the market with a combined 52.65 percent deposit market share.

Description of the Palm Beach County (West Palm Beach-Boca Raton-Boynton Beach MSA) Assessment Area

The AA, West Palm Beach-Boca Raton-Boynton Beach MSA #48424, is located in southeast Florida. The AA consists of 337 census tracts within Palm Beach County. West Palm Beach is the county seat for Palm Beach County. The AA meets the technical requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB&T has one full service branch located in the AA. The branch is located in Palm Beach and is in an upper-income tract. This branch opened on September 19, 2012. Specific 2010 and 2014 demographic and economic data for the assessment are detailed below.

Census 2010 and 2014 Demographic and Economic Characteristics of the Palm Beach County Assessment Area			
Population		Geographies	
Total Persons	1,320,134	Number of Census Tracts	337
Number of Households	523,150	% Low-Income Census Tracts (21)	6.23%
Median Family Income (MFI)	63,300	% Moderate-Income Census Tracts (84)	24.93%
<i>Based on 2014 MFI</i>		% Middle-Income Census Tracts (106)	31.45%
Low-Income individuals earn	<31,650	% Upper-Income Census Tracts (118)	35.01%
Moderate-Income individuals earn	31,650-50,640	% NA (8)	2.38%
Income Distribution		Non-Farm Businesses	
Number of Families	324,849	Number of Businesses located in the AA	209,104
Families residing in the AA by income category		% of Small Businesses located in the AA	72.20%
% Low-Income Families	21.50%	% of Large Businesses	2.80%
% Moderate-Income Families	17.84%	% of Business with no revenues reported	25%
% Middle-Income Families	18.93%	% of Biz in Low-Income Census Tracts	3.49%
% Upper-Income Families	41.73%	% of Biz in Moderate-Income Census Tracts	18.95%
		% of Biz in Middle-Income Census Tracts	31.70%
		% of Biz in Upper-Income Census Tracts	45.67%
		% of Biz in NA Census Tracts	0.19%
<i>Source: 2010 Census, 2014 FFIEC Median Family Income Data and 2014 Dunn and Bradstreet Data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 1,320,134. Close to 11 percent of all households in the AA, live below the poverty level. Total occupied housing units in the AA total 523,150, consisting of 384,995, or 59 percent, of owner-occupied housing and 138,155, or 21 percent occupied by renters. Approximately 65 percent of all housing units are 1-4 family and 32 percent are multifamily. Close to 20 percent, or 133,956 units, are vacant. Less than 3 percent of the owner-occupied units are located in low-income geographies and 22.08 percent are located in moderate-income geographies. Based on 2014 Dunn and Bradstreet demographic data there are 209,104 non-farm businesses throughout the AA of which 150,979, or 72.20 percent, are small businesses.

The AA is located on the southeast coast of Florida, north of the Miami-Dade metro area, in an area known as “Florida’s Treasure Coast.” West Palm Beach is the largest city in the Palm Beach County by population, bordered on the north by Palm Beach Gardens and on the east by Palm Beach. Palm Beach is an incorporated town located in the AA. Retiree in-migration has surpassed expectations and is expected to continue to accelerate as increases in asset prices have rebuilt household wealth. Due to this increasing retiree population, the AA’s economy is largely based in the healthcare services, hospitality, and retail sectors.

The AA is home to two Fortune 500 companies and a wide range of corporate, regional, and divisional headquarters. Major employers in the AA include local governments, Publix Supermarkets, Tenet Healthcare, Comcast, FP&L, Wackenhut, area hospitals, and Florida Atlantic University. Leading industries include state and local government, restaurants, hospitals, physicians, and grocery stores.

As with most metropolitan areas located in the State of Florida and throughout the country, the economy in the AA has been adversely impacted in the last several years due to high unemployment rates, foreclosures and significant declines in home values. Although economic recovery has gained traction, weaknesses that continue for the AA according to *Moody's Analytics* include the high cost of living primarily due to high home prices. As such, affordable housing for low-and moderate-income individuals and families is limited. Many businesses failed during the economic downturn, and the bank's ability to originate new loans to businesses, especially small businesses, was impacted by the continuing weak economy during the evaluation period.

Unemployment rates in the AA during the evaluation period were historically much higher than the national rate. However, the 2015 indicators suggested the AA is out performing the state and national unemployment rate. According to the U.S. Department of Labor, Bureau of Labor Statistics information, the May 2015 unemployment rate (not seasonally adjusted) for Palm Beach County was 5.1 percent, compared to the state rate of 5.6 percent and national rate of 5.3 percent. In addition, the current unemployment rate reflects an improvement in comparison to the AA's May 2014 rate of 5.9 percent.

The AA has experienced a volatile housing market in the past several years as home values quickly escalated and declined in a short period. According to RealtyTrac, the State of Florida ranked as the top state for foreclosures nationwide for the period 2013 and 2014 with the trend continuing in 2015. Palm Beach County is reporting one in every 558 housing units received a foreclosure filing as of May 2015. This is an improvement from the same period last year. The national rate as of May 2015 was one in every 1,041 housing units and the state's rate was one in every 409. According to data from Zillow, the median home value as of May 2015 for Palm Beach County was \$210,800, a 10.8 percent increase from the same period last year. According to *Moody's Analytics*, home values in the area are 53 percent above their recession low, compared to 36 percent in the rest of Florida and 20 percent nationwide; however the level of foreclosures continue to negatively impact housing prices.

There is significant banking competition for financial services in the AA consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation (FDIC) deposit market share data as of June 30, 2014, there were in total 55 deposit-taking institutions in Palm Beach County operating 477 branches. FNB&T had a deposit market share of 0.04 percent and ranked 51st among banks in the AA. Wells Fargo Bank, N.A. Bank of America, N. A., JP Morgan Chase Bank, N.A., PNC Bank, N.A., and SunTrust Bank continue to dominate the market with a combined 58.79 percent deposit market share.

SCOPE OF EVALUATION IN FLORIDA

FNB&T has three AAs in the State of Florida. The Lee County AA received a full-scope review for the State of Florida and weighed most heavily in arriving at the overall rating as this AA represents 84 percent of the bank's deposits as of June 30, 2014 and approximately 66 percent of home mortgage and business loans evaluated at this examination. Collier County and Palm Beach County AAs were evaluated using limited-scope procedures due to a lower level of total deposits (8.2 percent and 2.6 percent, respectively) and loans originated (13.8 percent and 2.9 percent, respectively). These two AAs were considered in the overall rating relative to performance in the full-scope AA.

We evaluated home mortgage and business loans. As noted in the *Ratings* section of this evaluation, home mortgage lending received more consideration to business lending in arriving at conclusions for the Lending Test based on loan volumes in the evaluation period. For home mortgage loans, more emphasis was placed on home purchase performance, as they represent 72 percent of all home mortgage loans.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's AA to gain insight regarding local and economic conditions and credit needs. During our examination, we relied on an existing community contact conducted by the OCC with a locally based community organization who stated affordable housing lending for 1-4 single-family and multifamily units is a critical credit need. The impact of the recession has resulted in the inability of former homeowners and new homebuyers to qualify for mortgages mainly due to credit issues. The decline in home purchases by low- and moderate-income individuals and families and the significant amount of banks competing for these limited opportunities in the AAs were taken into consideration during this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FLORIDA

LENDING TEST

Lending Performance

The bank's performance under the lending test in Florida is rated **Satisfactory**.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered FNB&T's business strategy, economic environment and the volume of originations. We took into consideration the performance context factors that limit the opportunities for home mortgage and business lending in the AAs as noted in the *Description of the Assessment Areas*. Limitations affecting home mortgage and business lending in the AAs, especially to low-and moderate-income borrowers and small businesses during the evaluation period (2012-2014) include the high level of banking competition, the high volume of all-cash home real estate transactions and the impact of the previous housing and financial crisis and sluggish recovery.

During the evaluation period and reflected in the tables below, the bank purchased 37 home purchase loans totaling \$1.5 million dollars from a local nonprofit housing community development organization in the Lee County AA. These loans benefitted low-and moderate-income individuals and families as well as low- and moderate-income geographies.

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

The bank's record of lending reflects a reasonable distribution of loans among borrowers of different incomes and among businesses of different sizes, given the performance context.

Our conclusions are based on an analysis of all home mortgage loans (524) originated and purchased in the AA. We also sampled 78 business loans of which 66 loans originated and purchased were in the AA. As noted in the Scope section above, more emphasis was placed on the Lee County AA. Out of the 524 home mortgage loans originated and purchased during the evaluation period, 386 were from the Lee County AA. From our business sample of 78 loans, 40 originated (37 inside the AA and included in the analysis) were from the Lee County AA.

For home mortgage loans, we compared the income distribution of the bank's borrowers to the income distribution of the families within the AAs using demographic data. For business loans, we compared the bank's distribution of lending to small businesses in relation to small businesses within the AAs using business demographic data.

Full-Scope Assessment Area:*Lee County Assessment Area:*

The bank's record of lending in the Lee County AA reflects a reasonable distribution of loans among borrowers of different incomes and among businesses of different sizes, given the performance context.

Home Mortgage Loans

Overall, FNB&T's home mortgage lending to borrowers of different income levels reflects reasonable penetration among low-and moderate-income borrowers, given the performance context. As noted previously, more weight was given to home purchase loans, as this was the primary home mortgage product during the evaluation period.

Given the performance context, the borrower distribution of home purchase loans is reasonable. The percentage of home purchase loans to low-income borrowers is lower than the percent of low-income families in the Lee County AA. The percentage of home purchase loans to moderate-income borrowers is lower than the percentage of moderate-income families in the Lee County AA. As previously mentioned, in evaluating the performance criteria, we considered the impact of performance context factors discussed in the *Description of the Assessment Area*. The level of lending is considered reasonable given the high levels of all cash transactions for home real estate transactions that have severely affected the lending opportunities for banks to lend, especially to low- and moderate-income persons. In addition, during the evaluation period, the AA experienced high foreclosure rates that reduced market values for homes located in the AA, reduced the number of credit-worthy borrowers and weakened the demand for home purchase loans. Lower values may have affected homeowners to delay selling, resulting in lower demand for credit.

Given the performance context, the borrower distribution of home refinance loans is reasonable. The percentage of home purchase loans to low-income borrowers is significantly lower than the percent of low-income families in the Lee County AA. The percentage of home refinance loans to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the Lee County AA. The performance is reasonable based on the same reasons noted above. Further, for refinance loans, lower home values during the evaluation period, may have affected the borrowers' ability to refinance as many homeowners continue to report negative equity positions. As mentioned in the scope above, more emphasis was given to performance with home purchase loans than home refinance loans due to the low demand for this type of mortgage product during the evaluation period.

The following table shows the distribution of home purchase and home refinance loans among borrowers of different income levels as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Lee County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of #of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	18.96%	9.42%	18.96%	6.52%	21.42%	2.90%	40.66%	73.55%
Refinance	18.96%	1.01%	18.96%	2.02%	21.42%	3.03%	40.66%	62.63%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data. Note: No income information available for 7.61 percent of home purchase loans and 31.31 percent of refinance loans.

Business Loans

FNB&T’s record of lending to businesses of different sizes reflects reasonable distribution considering the performance context of the AA. As indicated in the table below, the percentage of the bank’s business loans to small businesses (those with gross annual revenues of \$1 million or less) is below the percent of small businesses operating in the AA. Based on our sample, the bank originated 51.35 percent in total number of loans and 61.78 percent in total dollar volume of loans to small businesses. In comparison, businesses operating in the AA and reported revenues, 73.57 percent, or 57,927, are considered small businesses. We consider this performance reasonable based on the performance context factors discussed earlier. Context relates to the impact of the economic downturn and the sluggish recovery during the evaluation period limiting the bank’s ability to lend to small businesses.

Borrower Distribution of Loans to Businesses in Lee County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.57%	2.73%	23.70%	100%
% of Bank Loans in AA by #	51.35%	45.95%	2.70%	100%
% of Bank Loans in AA by \$	61.78%	22.26%	15.96%	100%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data.

Conclusions for Areas Receiving Limited-Scope Reviews:

Based on limited-scope reviews, the bank’s performance related to the distribution of loans to borrowers of different incomes and businesses of different sizes in the Collier County and Palm Beach County AAs was not inconsistent with performance in the full-scope AA and considered reasonable. The bank’s performance related to the distribution in limited-scope areas is much lower for home mortgage lending and similar performance for lending to small businesses. Consideration was given to the performance context, and the low volume of lending and deposit activity within the AAs. In addition, the Palm Beach AA has only one office and a 0.04 percent deposit market share.

Collier County Assessment Area:

Given the performance context and our limited-scope review, FNB&T’s performance in the Collier County AA is not inconsistent with the bank’s performance under the lending

test. Our conclusion is based on the reasonable penetration among businesses of different sizes.

Home Mortgage Loans

Home mortgage lending in the AA is poor as there were no home purchase and no home refinance loans made to low-income borrowers. In addition, there was limited home purchase lending and no home refinance loans to moderate-income borrowers. Performance context factors considered for the AA include the limited opportunities to lend to low- and moderate-income persons due to the significant level of banking competition and all-cash sales of real estate transactions. There are 35 financial institutions operating out of 154 offices all competing to lend to low- and moderate-income borrowers. In addition, the AA continues to lead the nation in all-cash home real estate sales, which limits the bank’s opportunity to provide home mortgage financing to low-and moderate-income individuals.

Borrower Distribution of Residential Real Estate Loans in Collier County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of #of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	21.14%	0.00%	18.31%	1.11%	19.04%	3.33%	41.51%	90.00%
Refinance	21.14%	0.00%	18.31%	0.00%	19.04%	7.14%	41.51%	82.14%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data. NOTE: No income information available for 5.56 percent of home purchase loans and 10.72 percent of refinance loans.

Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes considering the performance context. The percentage of the bank’s business loans to small businesses is near the percentage of small businesses operating in the AA.

Borrower Distribution of Loans to Businesses in Collier County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	72.54%	2.65%	24.81%	100%
% of Bank Loans in AA by #	70.00%	5.00%	25.00%	100%
% of Bank Loans in AA by \$	57.87%	0.29%	41.84%	100%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data.

Palm Beach County Assessment Area:

Given the performance context and our limited-scope review, FNB&T’s performance in the Palm Beach County AA is not inconsistent with the bank’s performance under the lending test. Our conclusion is based on the reasonable penetration among businesses of different sizes. FNB&T has a 0.04 percent deposit market share and only one office in the AA.

Home Mortgage Loans

Home mortgage lending in the AA is poor as there were no home purchase and no home refinance loans made to low-and moderate-income borrowers. Performance context factors considered for the AA include the limited opportunities to lend to low-and moderate-income persons due to the significant level of banking competition and all-cash home real estate sales. There are 54 financial institutions operating out of 476 offices all competing to lend to low- and moderate-income borrowers. In addition, the AA continues to lead the nation in all-cash home real estate sales, which limits the bank’s opportunity to provide home mortgage financing to low-and moderate-income individuals. The bank has a 0.04 percent deposit market share and only one office.

Borrower Distribution of Residential Real Estate Loans in Palm Beach County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of #of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	21.50%	0.00%	17.84%	0.00%	18.93%	8.33%	41.73%	91.67%
Refinance	21.50%	0.00%	17.84%	0.00%	18.93%	0.00%	41.73%	100.00%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data. .

Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes considering the performance context. The percentage of the bank’s business loans to small businesses is below the percentage of small businesses operating in the AA. However, this performance is reasonable considering the level of competition and the bank has only one office location in the AA.

Borrower Distribution of Loans to Businesses in Palm Beach County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	72.20%	2.80%	25.00%	100%
% of Bank Loans in AA by #	55.56%	22.22%	22.22%	100%
% of Bank Loans in AA by \$	37.49%	20.02%	42.49%	100%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of lending reflects a reasonable dispersion of loans to borrowers and businesses in geographies of different incomes, given the performance context.

This conclusion is based on the same home mortgage and business loans used in the previous analysis. The following tables illustrates the geographic distribution of home mortgage loans originated and purchased within these income tracts in comparison to the percentage of owner-occupied units in each income geography. For business

loans, the comparator is the number of businesses operating in the AA within each income tract. Although the bank did not lend in all geographies in the AAs, we did not identify any conspicuous gaps that could not be explained by the performance context, including the locations of FNB&T's offices, limited lending opportunities and the level of competition in the AA.

The performance context issues discussed in the borrower distribution analysis and *Description of Assessment Areas* had the same impact on home mortgage and business lending in low-and moderate-income geographies within the AAs. As noted previously, more weight was given to home purchase loans, as this was the primary home mortgage product during the evaluation period. Due to the low levels of owner-occupied housing and businesses located in low-income geographies, more weight was placed on the distribution in moderate-income geographies.

Full-Scope Assessment Areas:

Lee County Assessment Area:

The geographic distribution of lending in the Lee County AA reflects a reasonable dispersion of loans to borrowers and businesses in geographies of different incomes, given the performance context.

Home Mortgage Loans

Overall, the geographic distribution of home mortgage loans in the assessment area reflects a reasonable dispersion given the performance context.

The bank's home purchase lending in low-income geographies slightly exceeds the percentage of owner-occupied housing units in low-income geographies. The percentage of the bank's home purchase loans in moderate-income geographies is slightly lower than the percentage of owner-occupied housing units in moderate-income geographies.

The bank did not originate any refinance mortgage loans in low-income geographies. This performance is reasonable, as there are limited opportunities to lend in the low-income geographies with only 1.32 percent of owner-occupied housing units available and 34 financial institutions competing to lend in the low-income geographies within the AA. The percentage of refinance mortgage loans in moderate-income geographies is slightly lower than the percentage of owner-occupied housing units in moderate-income geographies.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract level.

Geographic Distribution of Residential Real Estate Loans in Lee County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	1.32%	1.81%	14.17%	11.59%	55.62%	26.09%	28.89%	60.51%
Refinance	1.32%	0.00%	14.17%	11.11%	55.62%	36.36%	28.89%	52.53%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data.

Business Loans:

The bank did not originate any loans to small businesses located in low-income geographies during the evaluation period. This performance is reasonable, as there are limited opportunities to lend with only 3.41 percent of business located in low-income geographies and 34 financial institutions competing to lend to these businesses. The percent of loans originated in moderate-income geographies slightly exceeds the percent of businesses located in moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each tract income level.

Geographic Distribution of Loans to Businesses in Lee County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Business Loans	3.41%	0.00%	14.66%	16.22%	52.08%	45.95%	29.77%	37.83%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data. For business loans, 0.08 percent of the businesses are located in census tracts designated as NA.

Conclusions for Areas Receiving Limited-Scope Reviews:

Based on limited-scope reviews, the bank’s performance related to the geographic distribution of loans to borrowers and businesses in limited scope areas is overall weaker than the bank’s performance in the full scope AA but still considered reasonable dispersion given performance context factors.

Collier County Assessment Area:

Given the performance context and our limited-scope review, FNB&T’s performance in the Collier County AA is not inconsistent with the bank’s performance in the Lee County AA. Our conclusion is based on a reasonable dispersion of loans to borrowers in moderate-income geographies, given performance context factors.

Home Mortgage Loans:

The bank did not originate any home purchase or home refinance loans in low-income geographies during the evaluation period. However, opportunities to lend are limited as there are only 2.40 percent of owner-occupied units located in low-income geographies. The percentage of the bank’s home purchase loans in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies. This level of performance is reasonable given the performance context factors noted previously. The bank did not originate any home refinance loans in moderate-income geographies, which is reasonable, as this was not a primary mortgage product during the evaluation period.

Geographic Distribution of Residential Real Estate Loans in Collier County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	2.40%	0.00%	16.42%	4.44%	46.03%	31.11%	35.15%	64.45%
Refinance	2.40%	0.00%	16.42%	0.00%	46.03%	25.00%	35.15%	75.00%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data.

Business Loans

The bank did not lend to businesses in low-income geographies, however this performance reasonable as there are limited opportunities to lend with only 2.57 percent of businesses operating in low-income geographies. The percentage of lending to businesses located in moderate-income geographies is lower than the percentage of businesses operating in moderate-income geographies, which is considered reasonable given the performance context factors previously discussed.

Geographic Distribution of Loans to Businesses in Collier County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Business Loans	2.57%	0.00%	13.49%	5.00%	42.12%	15.00%	41.82%	80.00%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data.

Palm Beach County Assessment Area:

Given the performance context and our limited-scope review, FNB&T’s performance in the Palm Beach AA is not inconsistent with the bank’s performance in the Lee County AA under the lending test. Our conclusion is based on reasonable dispersion relative to business lending in low-and moderate-income geographies. In addition, FNB&T has a 0.04 percent deposit market share and only one office in the AA.

Home Mortgage Loans

The bank did not lend in low- and moderate-income geographies during the evaluation period. However, opportunities to lend are limited in low-income geographies as there are only 2.96 percent of owner-occupied units located in low-income geographies. In addition, there is significant competition to lend in the AA with 54 financial institutions operating 476 offices all competing to lend in low-and moderate-income geographies.

Geographic Distribution of Residential Real Estate Loans in Palm Beach County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	2.96%	0.00%	22.08%	0.00%	36.12%	16.67%	38.84%	83.33%
Refinance	2.96%	0.00%	22.08%	0.00%	36.12%	0.00%	38.84%	100.00%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data.

Business Loans

The geographic distribution of business loans in the AA reflects a reasonable dispersion. Lending to businesses located in low-income geographies slightly exceeds the percentage of businesses located in low-income geographies. Lending to businesses located in moderate-income geographies is slightly below the percentage of businesses located in moderate-income geographies.

Geographic Distribution of Loans to Businesses in Palm Beach County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Business Loans	3.49%	11.11%	18.95%	11.11%	31.70%	33.33%	45.67%	44.45%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data.
Note: 0.19 percent of the businesses are located in census tracts designated as NA.

Responses to Complaints

There have been no CRA related complaints received by the bank or our office since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test in Florida is “**Satisfactory**”.

The bank’s CD performance demonstrates adequate responsiveness to CD needs of its AA through CD loans, qualified investments and CD services, considering the bank’s capacity and the need and availability of such opportunities for CD in the bank’s AA. CD performance in the full scope AA of Lee County demonstrates adequate responsiveness to CD needs. CD performance in the limited scope AAs of Collier County and Palm Beach County is weaker than the full scope AA and demonstrates poor responsiveness to CD needs. CD performance in Lee County was given the greatest weight in the CD test rating as discussed in prior sections of this evaluation.

Number and Amount of Community Development Loans

Assessment Area	Number of CD Loans	\$ Amount of CD Loans (000’s)
Lee County AA	17	\$14,141
Collier County AA	0	\$0
Palm Beach County AA	0	\$0
Broader Statewide/Regional Area	1	\$1,870
Total	18	\$16,011

Lee County Assessment Area:

CD lending in the full scope AA of Lee County demonstrates adequate responsiveness to the CD needs in the AA. During the evaluation, the bank extended 17 CD loans totaling \$14 million that benefit the AA and one CD loan totaling \$1.8 million that benefited a broader regional area that includes the Lee County AA. CD loans included working capital loans to local not-for-profit organizations as well as loans for multifamily housing targeted to LMI families.

Limited Scope Assessment Areas:

CD performance in the limited scope AAs of Collier County and Palm Beach County is weaker than the full scope AA and demonstrates poor responsiveness to CD needs in the AAs. There were no CD loans made in the Collier County or Palm Beach County AAs.

Number and Amount of Qualified Investments

Assessment Area	Number of Investments	\$ Amount of Investments (000's)
Lee County AA	23	\$464
Collier County AA	10	\$42
Palm Beach County AA	4	\$3
Broader Statewide/Regional Area	2	\$43
Total	39	\$ 552

Lee County Assessment Area:

Qualified investments in the full scope AA of Lee County demonstrate adequate responsiveness to the CD needs of the AA. During the evaluation period, the bank made 23 grants totaling \$464 thousand to local community organizations and two grants totaling \$43 thousand to organizations that serves a broader regional area that includes the Lee County AA.

Limited Scope Assessment Areas:

CD performance in the limited scope AAs of Collier County and Palm Beach County is weaker than the full scope AA and demonstrates poor responsiveness to CD needs. Qualified investments in the limited scope AAs of Collier County and Palm Beach County demonstrates poor responsiveness to the CD needs of the AAs. As shown in the table above, there were a small number of qualified investments in the Collier County or Palm Beach County AAs.

Extent to Which the Bank Provides Community Development Services

Lee County Assessment Area:

CD services in the full scope AA of Lee County demonstrate adequate responsiveness to the CD needs in the AA. The provision of banking services is adequate; the provision of CD services is adequate.

The provision of banking services is adequate. The bank operates four retail branches in the AA in middle- and upper-income geographies. These offices offer all products and services consistent with the bank’s other AAs. Deposit products include a low cost checking account. Alternative delivery systems include online banking and online bill pay.

The provision of CD services is adequate. Seven employees provided community development services to seven CD organizations in the Lee County AA. In addition, four employees provided CD services to organizations in the broader regional area that includes the Lee County AA. CD services were primarily serving as Board directors for various community development organizations that focus on affordable housing, small business development and community services to LMI families. Bank management

also performed a CD service by providing technical assistance to, and sponsorship of, a not-for-profit housing organization that applied for a grant from the Federal Home Loan Bank.

Limited Scope Assessment Areas:

CD services in the limited scope AAs of Collier County and Palm Beach County is weaker than the full scope AA and demonstrates poor responsiveness to CD needs. In Collier County, one employee provided CD services to three organizations through serving as a Board member. In Palm Beach County, one employee provided CD services to one organization as a Board member.

Responsiveness to Community Development Needs

The bank showed adequate responsiveness to the CD needs of the full scope Lee County AA, but poor responsiveness to the CD needs of the limited scope AAs. There are a large number of financial institutions in the AAs with greater capacity to provide CD investments and services. However, the bank's lack of CD loans, low level of qualified investments and few CD service activities in the limited scope AAs is not responsive to the needs and opportunities that exist in the AAs as discussed in the Scope of Evaluation section of this evaluation.

State Rating

State of Arizona

CRA Rating for Arizona: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Needs to Improve.

- *The bank's record of lending reflects a reasonable distribution of loans among borrowers of different incomes and among businesses of different sizes, given the performance context.*
- *Given the performance context, the geographic distribution of lending reflects a reasonable dispersion among the various income geographies.*
- *The bank's CD performance demonstrates poor responsiveness to CD needs of its AA through CD loans, qualified investments and CD services.*

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

The AA, which is part of the Phoenix-Mesa-Scottsdale MSA #38060, is located in south-central Arizona. The AA consists of 916 census tracts within Maricopa County. Phoenix is the county seat for Maricopa County. The AA meets the technical requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB&T has two full service branches located in the AA. The branches are located in Scottsdale, Arizona, and are in upper-income tracts. One branch opened on May 9, 2012, and one branch opened on April 20, 2015, which is after the lending test evaluation period.

Specific 2010 and 2014 demographic and economic data for the assessment are detailed below.

Census 2010 and 2014 Demographic and Economic Characteristics of the Maricopa County Assessment Area			
Population			
Total Persons	3,817,117		
Number of Households	1,382,002		
Median Family Income (MFI)	\$61,900		
<i>Based on 2014 MFI</i>			
Low-Income individuals earn	<\$30,950		
Moderate-Income individuals earn	\$30,950-\$49,520		
Geographies			
Number of Census Tracts		916	
% Low-Income Census Tracts (86)		9.39%	
% Moderate-Income Census Tracts (219)		23.91%	
% Middle-Income Census Tracts (293)		31.99%	
% Upper-Income Census Tracts (308)		33.62%	
% NA (10)		1.09%	
Income Distribution			
Number of Families	913,798		
Families residing in the AA by income category			
% Low-Income Families	20.93%		
% Moderate-Income Families	17.44%		
% Middle-Income Families	20.15%		
% Upper-Income Families	41.48%		
Non-Farm Businesses			
Number of Businesses located in the AA		339,321	
% of Small Businesses located in the AA		72.42%	
% of Large Businesses		3.66%	
% of Business with no revenues reported		23.92%	
% of Biz in Low-Income Census Tracts		6.44%	
% of Biz in Moderate-Income Census Tracts		15.40%	
% of Biz in Middle-Income Census Tracts		29.68%	
% of Biz in Upper-Income Census Tracts		47.96%	
% of Biz in NA Census Tracts		0.52%	
<i>Source: 2010 Census, 2014 FFIEC Median Family Income Data and 2014 Dunn and Bradstreet Data</i>			

According to the 2010 U.S. Census Bureau economic data, the AA has a total population of 3,817,117. Approximately 12 percent of all households live below the poverty level. Total occupied housing units in the AA are 1,382,000 consisting of 916,515, or 57.42 percent, are owner-occupied housing units, and 465,485, or 29.16 percent, occupied by renters. Approximately 75 percent of all housing units are 1-4 family and 20 percent are multifamily. Close to 214,163, or 13 percent of housing units, are vacant. Less than 4 percent of the owner-occupied units are located in low-income geographies and 20.72 percent are located in moderate-income geographies. Based on 2014 Dunn and Bradstreet demographic data there are 339,321 non-farm businesses throughout the AA of which 245,749, or 72.42, percent are small businesses.

The AA is located in the south-central part of Arizona and is Arizona’s most populous county, encompassing well over half of the state’s residents. It is also the largest county in the United States to contain a capital city. The most populous cities within the county include Phoenix, Mesa, Chandler, Glendale, and Scottsdale.

The AA has a diverse, service-based economy and many large corporations are based out of the AA or have major operations within the AA. The top employers include Wal-Mart Stores, Banner Health System, Wells Fargo, Arizona State University, and Intel Corp. Leading industries include local governments, restaurants and employment services. The city of Scottsdale is a popular tourist destination. The region’s year-round warm weather is a major factor in Scottsdale’s tourism appeal. Scottsdale boasts the highest number of destination spas per capita of any city in the United States.

As with most cities in Arizona and throughout the United States, the economy in the AA has been significantly impacted by the previous downturn in the economy and slow to recover. However, according to *Moody's Analytics*, the economy has strengthened somewhat since mid-2014, with year-ago growth in nonfarm payrolls near a high cycle and higher than state and national averages. Most industries are expanding, but job gains have been strong in health care and white-collar services. Construction for multi-family housing has increased and 1-4 single housing has decreased as new residents have opted to rent rather than purchase a new home. Weaknesses that continue for the AA include a stagnant single-family housing market and tighter credit standards that limit the pool of homebuyers resulting in slow housing sales.

Unemployment rates in the AA during the evaluation period have improved significantly from their historic high levels. The 2015 indicators suggested that the AA is out performing the state and national unemployment rates. According to the U.S. Department of Labor, Bureau of Labor Statistics information, the May 2015 unemployment rate (not seasonally adjusted) for Maricopa County is 4.5 percent, compared to the state rate of 5.5 percent and national rate of 5.3 percent. In addition, the current unemployment rate reflects a significant improvement in comparison to the AA's May 2014 rate of 5.7 percent.

The state of Arizona ranks favorably in total number of foreclosures when compared to other states. According to RealtyTrac, Arizona is reporting one in every 1,392 housing units received a foreclosure filing as of May 2015. In addition, Maricopa County is reporting one in every 1,399 housing units received a foreclosure filing. According to data from Zillow, the median home value as of May 2015 was \$209,200, a 5 percent improvement from the same period last year. Home values should continue to improve, as increasing rents in the metro area's urban core will lead more first time buyers to the traditional housing market.

There is significant banking competition for financial services in the AA consisting of larger regional and national banks. According to the Federal Deposit Insurance Corporation (FDIC) deposit market share data as of June 30, 2014, there were in total 57 deposit-taking institutions in Maricopa County operating 856 branches. FNB&T had a deposit market share of 0.05 percent and ranked 48th among banks in the AA. JP Morgan Chase Bank, N.A. Wells Fargo Bank, N.A., and Bank of America, N.A., which combined, represent 72.98 percent deposit market share.

SCOPE OF EVALUATION IN ARIZONA

The Maricopa County AA received a full-scope review.

Home mortgage lending received more consideration to business lending in arriving at conclusions for the Lending Test based on loan volumes in the evaluation period. During the evaluation period, the bank originated 151 home mortgage loans in the AA and 44 business loans. For home mortgage loans, more emphasis was placed on the performance for home purchase loans as they represent 74 percent of all home mortgage loans.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's AA to gain insight regarding local and economic conditions and credit needs. Prior to our examination, we spoke with a local organization to discuss the credit needs of the community and the responsiveness of financial institutions in Maricopa County. According to the contact, there is a significant need for grants to CD organizations, specifically to meet general operating expenses. These small organizations are critical in the local communities. The contact also mentioned that there is a need for financing mixed income projects and lending to small businesses in the area. Finally, the contact stated, since the economic crisis, it has become more difficult for low-and moderate-income persons to obtain financing for primary housing due to the tightening of credit standards for these types of loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARIZONA

LENDING TEST

Lending Performance

The bank's performance under the lending test in Arizona is rated **Satisfactory**.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered FNB&T's business strategy, economic environment and the volume of originations. We took into consideration the performance context factors that limit the opportunities for home mortgage and business lending as noted in the *Description of the Assessment Area*.

Our conclusions are based on an analysis of all home mortgage loans (147) originated and purchased in the AA. We also sampled 30 business loans of which 19 loans originated and purchased were in the AA. As mentioned in the ratings section of the evaluation, more weight was given to home mortgage lending than business lending in the overall lending test rating.

During the evaluation period and reflected in the tables below, the bank purchased 34 home purchase loans totaling \$3.7 million dollars from a local nonprofit housing community development organization. These loans benefitted low-and moderate-income individuals and families as well as low- and moderate-income geographies.

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

The bank's record of lending reflects a reasonable distribution of loans among borrowers of different incomes and among businesses of different sizes, given the performance context.

For home mortgage loans, we compared the income distribution of the bank's borrowers to the income distribution of the families within the AAs, using demographic data. For business loans, we compared the bank's distribution of lending to small businesses in relation to small businesses within the AAs using business demographic data.

Home Mortgage Loans

Overall, FNB&T's home mortgage lending to borrowers of different income levels reflects reasonable penetration among low-and moderate-income borrowers, given the performance context.

Given the performance context, the borrower distribution of home purchase loans is reasonable. The percentage of home purchase loans to low-income borrowers exceeds

the percentage of low-income families in the Maricopa County AA. The percentage of home purchase loans to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the AA. This performance is reasonable given the bank had only one office open during the evaluation period with 56 financial institutions operating 855 offices all competing to lend to moderate-income borrowers. In addition, as discussed in the *Description of the Assessment Area*, during the evaluation period, the AA continued to recover from the recent economic crisis and previous high level of foreclosures have reduced the housing market values as well as reducing the number of credit-worthy borrowers. Housing market values still below their peak in 2006 and lower values may have affected homeowners to delay selling resulting in lower demand for credit. Opportunities to provide home mortgages to low-and moderate-income families in the AA has also been limited during the evaluation period due to many new residents opting to rent rather than purchase a new home,

Given the performance context and limited demand, borrower distribution of home refinance loans is reasonable. The percentage of home refinance loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. This performance is reasonable given the limited opportunities to lend in the AA. The percentage of home refinance loans to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the AA. This performance is reasonable given the demand for refinance was low due to the negative equity positions for many homeowners during the evaluation period and intense competition in the AA.

The following table shows the distribution of home purchase and home refinance loans among borrowers of different income levels as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Maricopa County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of #of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	20.93%	27.52%	17.44%	2.75%	20.15%	0.00%	41.48%	64.22%
Refinance	20.93%	2.63%	17.44%	5.26%	20.15%	0.00%	41.48%	71.05%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data. NOTE: No income information available for 5.51 percent of home purchase loans and 21.06 percent of refinance loans.

Business Loans:

FNB&T’s record of lending to businesses of different sizes reflects excellent distribution. As indicated in the table below, the percentage of the bank’s business loans to small businesses (those with gross annual revenues of \$1 million or less) exceeds the percent of small businesses operating in the AA. Based on our sample, the bank originated 78.95 percent in total number of loans and 89.91 percent of the total dollar volume of loans to small businesses. In comparison, businesses operating in the AA and reported revenues, 72.42 percent, or 245,749, are considered small businesses.

Borrower Distribution of Loans to Businesses in Maricopa County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	72.42%	3.66%	23.92%	100%
% of Bank Loans in AA by #	78.95%	10.53%	10.52%	100%
% of Bank Loans in AA by \$	89.91%	3.36%	6.73%	100%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data

Geographic Distribution of Loans- Meets the Standard for Satisfactory Performance

The geographic distribution of lending reflects a reasonable dispersion among the various income geographies given the performance context.

This conclusion is based on the same home mortgage and business loans originated and purchased during the evaluation period used in the previous analysis. The following tables illustrates the geographic distribution of home mortgage loans originated and purchased within these income tracts in comparison to the percentage of owner-occupied units in each income geography. For business loans, the comparator is the number of businesses operating in the AA within each income tract. Although the bank did not lend in all geographies in the AA, we did not identify any conspicuous gaps that could not be explained by the performance context, including the location of FNB&T’s one office, limited lending opportunities and the level of competition in the AA.

Home Mortgage Loans

Overall, the geographic distribution of home mortgage loans in the AA reflects a reasonable dispersion given the performance context. As noted previously, more weight was given to home purchase loans, as this was the primary home mortgage product during the evaluation period.

The bank’s home purchase lending in low-income geographies slightly exceeds the percentage of owner-occupied housing units in low-income geographies. The percentage of the bank’s home purchase loans in moderate-income geographies is lower than the percentage of owner-occupied housing units in moderate-income geographies. This is reasonable as the bank has only one office in the AA with a 0.05 percent deposit market share.

The bank did not originate any refinance mortgage loans in low-income geographies, which is reasonable as the bank had only one office during the lending evaluation period. In addition, as mentioned previously, there was a low demand for this type of mortgage product. Further, there are limited opportunities to lend in the AA with only 3.61 percent of owner-occupied housing units and 56 different financial institutions operating in 855 offices competing to lend to these borrowers. The percentage of refinance mortgage loans in moderate-income geographies is significantly lower than

the percentage of owner-occupied housing units in moderate-income geographies, which is reasonable due to the level of competition noted above.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract level.

Geographic Distribution of Residential Real Estate Loans in Maricopa County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	3.61%	3.67%	20.72%	14.68%	35.75%	16.51%	39.90%	64.22%
Refinance	3.61%	0.00%	20.72%	2.63%	35.75%	13.16%	39.90%	84.21%

Source: 2012-2014 HMDA Data, 2010 U.S. Census Data. NOTE: For Home Purchase loans, 0.92% of the owner-occupied units are located in census tracts designated as NA.

Business Loans:

The bank did not originate any loans to small businesses located in low- and moderate-income geographies during the evaluation period. However, we consider the performance as reasonable given there was only one office opened during the evaluation period, which is located in an upper-income geography. Further, there are limited opportunities to lend in the AA with only 6.44 percent and 15.40 percent of businesses operating in low- and moderate-income geographies respectively with 56 different financial institutions operating in 855 offices competing to lend to these businesses. As mentioned in the ratings section of the evaluation, more weight was given to home mortgage lending than business lending in the overall lending test rating.

The following table details the bank’s performance as compared to the percentage of businesses in each tract income level.

Geographic Distribution of Loans to Businesses in Maricopa County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Business Loans	6.44%	0.00%	15.40%	0.00%	29.68%	15.79%	47.96%	84.21%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data. NOTE: 0.52% of the businesses are located in census tracts designated as NA.

Responses to Complaints

- There have been no CRA related complaints received by the bank or our office since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test in Arizona is rated **Needs to Improve**.

The bank’s CD performance demonstrates poor responsiveness to CD needs of its AA through CD loans, qualified investments and CD services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for CD in the bank’s AA.

Number and Amount of Community Development Loans

Assessment Area	Number of CD Loans	\$ Amount of CD Loans (000’s)
Maricopa County AA	0	\$0
Broader Statewide/Regional Area	0	\$0
Total	0	\$ 0

Maricopa County AA

CD lending in the full scope AA of Maricopa County demonstrates poor responsiveness to the CD needs in the AA. During the evaluation, the bank extended no CD loans.

Number and Amount of Qualified Investments

Assessment Area	Number of Investments	\$ Amount of Investments (000’s)
Maricopa County AA	2	\$2
Broader Statewide/Regional Area	1	\$3
Total	3	\$ 5

Maricopa County AA

Qualified investments in the full scope AA of Maricopa County demonstrate poor responsiveness to the CD needs of the AA. During the evaluation period, the bank made grants totaling \$2 thousand to two local community organizations and one grant to an organization that serves a broader regional area that includes Maricopa County.

Extent to Which the Bank Provides Community Development Services

CD services in the full scope AA of Maricopa County demonstrate adequate responsiveness to the CD needs in the AA. The provision of banking services is adequate; the provision of CD services is adequate.

The provision of banking services is adequate. The bank operates two retail branches in the AA in upper-income geographies. These offices offer all products and services consistent with the bank’s other AAs. Deposit products include a low cost checking account. Alternative delivery systems include online banking and online bill pay.

The provision of CD services is adequate. One employee provided community development services to one CD organization in the Maricopa County AA. The employee serves on the board of a community development financial institution. While the bank has two offices in the AA, CD service capacity was constrained by the short tenure of the new branch (opened in April 2015) and the small number of employees at the existing branch. Therefore, the capacity to provide CD services throughout the evaluation period was limited.

Responsiveness to Community Development Needs

The bank showed poor responsiveness to the CD needs of the full scope Maricopa County AA. This AA represented a smaller percentage of the bank's overall operations during the evaluation period. There are also a significant number of financial institutions that provide CD loans and investments in the AA. However, the lack of any CD loans and few qualified investments is not responsive to the opportunities that exist in the AA as discussed in the Scope of Evaluation section of this evaluation.

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 metropolitan and nonmetropolitan areas 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	Lending Test: 01/01/12 to 12/31/2014 Community Development Test: 01/07/10 to 07/13/2015	
Financial Institution	Products Reviewed	
FineMark National Bank & Trust Fort Myers, Florida	Residential Mortgage Loans Business Purpose Loans Community Development Loans, Investments, and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Name of Affiliate-None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Florida: 1. Lee County AA- Cape Coral-Fort Myers-MA # 15980 2. Collier County AA- Naples-Immokalee-Marco Island MA #34940 3. Palm Beach County AA- West Palm Beach-Boca Raton-Delray Beach-MA #48424-	Full-Scope Limited-Scope Limited-Scope	
State Of Arizona: 1. Maricopa County AA-Part of Phoenix-Mesa-Scottsdale- MA #38060	Full-Scope	

Appendix B: Summary of State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
FineMark National Bank	Satisfactory	Satisfactory	Satisfactory
Florida	Satisfactory	Satisfactory	Satisfactory
Arizona	Satisfactory	Needs to Improve	Satisfactory