



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 18, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of The Gulf Coast
Charter Number 24739

3560 Kraft Road
Naples, FL 34105-0000

Office of the Comptroller of the Currency

ADC-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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The primary reasons supporting this rating are:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- Lending in the bank's assessment area (AA) meets the standard for satisfactory performance.
- The borrower distribution of loans meets the standard for satisfactory performance.
- The geographic distribution of loans meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the bank's performance under small bank Community Reinvestment Act (CRA) examination procedures. The evaluation period was from December 3, 2007 through December 31, 2010. During the evaluation period, FNB of the Gulf Coast experienced lending challenges brought on by the economic downturn in the national and local economies, as well as the real estate market.

In evaluating the bank's lending performance, we used all data collected on residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA) and business loans originated during the evaluation period. The bank is primarily a small business lender with residential mortgage lending as a secondary product. For the lending test our focus was on small business lending. HMDA reportable loan volumes were too low to produce a meaningful analysis in each assessment area. However, HMDA loans were included in determining how many loans the bank originated in the assessment area due to the fact that residential loans are a credit need in the assessment area.

This evaluation is based on accurate data supported by data verification of the bank's publicly filed HMDA information and the internal commercial and commercial real estate loan reports. Collier and Lee Counties received full scope reviews of lending activities.

DESCRIPTION OF INSTITUTION

FNB of the Gulf Coast is an intrastate community bank headquartered in Naples, Florida. The bank is not part of a holding company and has one wholly owned subsidiary, First National Title and Closing Services. The bank operates three banking offices. The Anchor Rode and the Pine Ridge offices are located in Naples, Florida and the Joel Boulevard office is located in Lehigh Acres, Florida. Based on 2000 Census data, one office (Joel Boulevard) is located in a middle-income geography with the other two offices in upper-income geographies.

As of March 31, 2011 the bank had total assets of \$329 million and total deposits of \$271 million. The breakdown of the bank's \$115.7 million loan portfolio, which represents 35.17% of total assets, is as follows:

- Commercial/Commercial Real Estate: 69.80%,
- Residential Real Estate: 20.48%, and
- Consumer: 9.72%.

Tier 1 Leverage capital was \$23.7 million while the Tier 1 Leverage capital ratio was 7.54%.

The bank has experienced net losses since opening in 2007. This financial performance is characteristic of new financial institutions in their early years of operation. No legal or other factors impede the bank's ability to meet the credit needs in its AA. However, lending standards are more conservative in general for all banks considering high levels of unemployment, foreclosures, and weakened consumer credit ratings. This is the bank's first CRA performance evaluation since opening.

As a part of our review, we also incorporated information obtained from local community contacts and discussions with bank management. The contacts consisted of agencies primarily focused on housing. From these discussions, we determined that the most pressing credit needs in the AAs are affordable housing and small business lending. Credit education and credit repair were also noted as needs considering the high unemployment rates, home foreclosures, and blemished credit histories of consumers.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's assessment area consists of portions of both Collier and Lee Counties Metropolitan Statistical Areas (MSAs) known as MSA 34940 and MSA 15980, respectively. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas and consists of whole census tract geographies surrounding banking offices.

Collier County (MSA 34940)

Based on the 2000 Census, the bank's delineated AA consists of 51 geographies called census tracts. Based on income tract level, 4 or 8% of the census tracts are low-income, 8 or 16% are moderate-income, 23 or 45% are middle-income, and 16 or 31% are upper income. The total population is approximately 241 thousand. Overall, about 8% of households are below the poverty level. Based on community contact information, the needs for small business lending and affordable housing are considered the main credit needs in the AA, as well as credit counseling and repair.

As with most metropolitan areas in Florida, the economy in the AA has experienced a downturn due to the national and local recession. FNB's opportunities to lend, especially to low- and moderate-income borrowers and to small businesses, has been impacted by this downturn. The entire state, including Collier County, has experienced significant job losses, a volatile housing

market with a record number of delinquencies, foreclosures, and bankruptcies. Major industries of tourism, real estate development, wholesale trade companies, health care, financial services, and retail services have suffered as a result of the downturn. The AA continues to have a high unemployment rate of 10.2% as of March 31, 2011, declines in real estate values, and increases in residential foreclosures. As of June 30, 2010, the Federal Deposit Insurance Corporation (FDIC) showed 39 financial institutions operating 151 banking offices in the Collier MSA. FNB ranks 13th with a 1.78% deposit market share.

Lee County (MSA 15980)

The Lee County MSA consists of 21 geographies distributed as follows: 0% low-income, 29% moderate-income, 33% middle-income, and 30% upper-income. According to the 2000 Census, the total population of the MSA is approximately 61 thousand. Economic conditions are weak as the AA continues to struggle in the aftermath of the national and local recession. Job losses and housing market volatility has been significant. Mortgage foreclosures and delinquency rates in the AA are high. The unemployment rate was 11.2% as of March 31, 2011.

The banking industry is very competitive. FDIC data as of June 30, 2010 showed 39 institutions operating 232 banking offices of national, regional, and community banks. FNB ranks 31st with a 0.31% market share.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- FNB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.

The bank's average loan-to-deposit ratio from March 1, 2008 through March 31, 2011 was 61.18%. This ratio is reasonable considering the bank's de novo status, competition, and economic conditions affecting the AA. When compared to three other similarly situated banks in the AA, the range of the average loan-to-deposit ratio was from 88.53% to 101.97% for an average of 91.79%. FNB is below the average and outside the range.

Lending in Assessment Area

- A majority of the bank's loans are inside its AA meeting the standard for satisfactory performance.

Both number and dollar amount of the bank's loans were originated inside the bank's AA. FNB originated 109 of the 209 loans or 52.15% in the AA. The dollar volume of loans inside the AA was \$57,404 or 54.55% of total dollar volume of loans made during the evaluation period.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	84	40.19	96	45.93	180	44,496	42.28	47,400	45.04	91,896
Purchase	20	9.57	3	1.44	23	9,696	9.21	385	0.36	10,081
Refinance	4	1.91	1	0.48	5	3,012	2.86	50	0.05	3,062
Home Improvement	1	0.48	0	0.00	1	200	0.20	0.00	0.00	200
Total Loans	109	52.15	100	47.85	209	57,404	54.55	47,835	45.45	105,239

Source: HMDA reportable loans and business loans (December 3, 2007-December 31, 2010)

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

- FNB’s lending to businesses of different sizes is reasonable and meets the standard of satisfactory performance.

Performance under this category focused on small business lending which is the bank’s primary business strategy. Small businesses are defined in terms of having revenues or sales of \$1 million or less.

In the Collier County AA, the level of lending to businesses of different sizes was reasonable considering the short tenure of the bank in the AA and the weak economic conditions of the AA. FNB originated 47.46% of its business loans to small businesses with performance near the level of small business in the AA of 81.43%. The dollar volume of small business loans represented 50.47% of the bank’s business lending and was also near the level of small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Collier County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.43	2.95	15.62	100%
% of Bank Loans in AA by #	47.46	44.07	8.47	100%
% of Bank Loans in AA by \$	50.47	47.92	1.61	100%

Source: All business loans originated during the evaluation period; 2010 Dunn and Bradstreet data.

In the Lee County AA, the level of lending to businesses of different sizes was reasonable considering the short tenure of the bank in the AA and the weak economic conditions of the AA. The number of small business loans extended met the 84% level of small business loans in the AA at 84%. The dollar volume of loans to small businesses of 83.99% was near the level of small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Lee County AA

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	84.00	2.16	13.84	100%
% of Bank Loans in AA by #	84.00	16.00	0.00	100%
% of Bank Loans in AA by \$	83.99	16.015	0.00	100%

Source: All business loans originated during the evaluation period; 2010 Dunn and Bradstreet data.

Geographic Distribution of Loans

- FNB’s geographic distribution of loans is reasonable and meets the standard for satisfactory performance.

Performance under this category focused on small business lending which is the bank’s primary business strategy. There were no unexplained conspicuous gaps in lending. Census tracts in the AAs with no loan penetration are due to FNB’s short time operating in the AA and the limited number of full service offices. These limitations prevent the bank from penetrating all areas in the AA.

The geographic distribution of small business loans is reasonable and meets the standard for satisfactory performance in the Collier County AA. The bank had no loans in the low- income geographies but FNB’s lending exceeded the percentage of businesses in moderate-income geographies at 13.56% compared to 9.90% of business in the AA. Factors affecting lending in low-income census tracts are related to the proximity of banking offices to low-income census tracts and the bank’s limited number of branch offices.

Table 4A - Geographic Distribution of Loans to Businesses in Collier County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	1.41	0.00	9.90	13.56	45.03	50.85	43.66	36.49

Source: All business loans originated during the evaluation period; 2010 Dunn and Bradstreet data.

In the Lee County AA, there were no businesses in low-income geographies. Lending in moderate-income geographies exceeds the 9.78% of business in the AA with excellent loan penetration at 40%.

Table 4A - Geographic Distribution of Loans to Businesses in Lee County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	0.00	0.00	9.78	40.00	77.53	60.00	12.68	12.68

Source: All business loans originated during the evaluation period; 2010 Dunn and Bradstreet data.

Responses to Complaints

There have been no CRA related complaints since the bank’s opening in 2007.

Fair Lending or Other Illegal Credit Practices Review

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