



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 06, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Crestview
Charter Number 14766**

**302 North Wilson Street
Crestview, FL 32536**

**Comptroller of the Currency
ADC - Birmingham
100 Concourse Parkway Suite 240
Birmingham, AL 35244**

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	2
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	2
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	4

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The bank's performance rating is supported by exceeding the standard for a satisfactory rating in the following categories:

- Overall, the bank had excellent penetration among businesses of different sizes and individuals of different income.
- A substantial majority of loans are in the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) of Crestview is a \$199 million bank located in Okaloosa County, Florida. Crestview is located in the north central section of the panhandle of Florida. The bank has no subsidiaries or affiliates and is not part of a bank holding company. The bank serves the community with a main office and branch in Crestview. Automated teller machines (ATM) are located at these offices as well as stand alones in Baker and Milligan, Florida. All offices are located in the Ft. Walton Beach Metropolitan Statistical Area (MSA). No branches or offices have been opened or closed within the last two years.

The bank offers traditional loan and deposit products with the primary focus on commercial lending. The bank's loan portfolio, which totals \$64 million, consists of commercial (65%), residential real estate (23%), consumer (4%), agricultural (4%), and other loans (4%). Net loans comprise 32% of total assets. Tier 1 Leverage Capital as of September 30, 2002, was 16%.

As of this examination, there were no legal or regulatory impediments that would impact the bank's lending capacity or ability to help meet the credit needs of the assessment area. The bank's CRA performance was rated satisfactory at its last examination, which was dated February 2, 1998. The review period for this evaluation was from January 1, 1998, to December 31, 2002 and included commercial, home purchase, and home improvement loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is designated as the entire county of Okaloosa, Florida, and is known as the Fort Walton Beach MSA. The assessment area contains, 8 moderate-, 20 middle-, and 5 upper-income census tracts (hereafter referred to as "tracts"). The AA does not contain low-income tracts. The AA meets the requirements of the act.

The following table highlights the demographic composition of the bank's assessment area.

Demographic and Economic Characteristics of Assessment Area (AA)	
Population	
Population	143,776
Number of Families	39,885
Geographies	
Number of Census Tracts	33
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	24%
% Middle-Income Census Tracts	61%
% Upper-Income Census Tracts	15%
Median Family Income (MFI)	
1990 MFI for ASSESSMENT AREA	\$32,817
2002 HUD Adjusted MFI	\$50,400
Economic Indicators	
Unemployment Rate	3%
1990 Median Housing Value	\$72,750
% Households Below Poverty	10%

Owner occupied housing represents 53% of the assessment area housing stock. Although the housing stock is primarily owner-occupied housing units, opportunities to extend home mortgages and business loans in portions of the assessment area are limited because the area contains military housing facilities or the area is used for military operations.

The local economy is service, government, or retail trade oriented. The economies of Okaloosa County depend heavily on the local military installations and remain stable because of that tie to the military. The unemployment rate of the assessment area is low at 3% and compares favorably to both the national rate 6% and the state rate of 5%.

The bank is considered small and the institutions in the immediate area are comprised of branches of large multistate, multibillion-dollar institutions, community banks, and credit unions. Most of the community banks operate in the county but are not in close proximity to the bank. The two intrastate banks considered the nearest peer of the bank, Vanguard and First National Bank & Trust (FNB&T), are now considered large banks for CRA purposes and have total assets greater than \$330 million. The banks' assessment areas resemble FNB's and other similar assessment areas in the panhandle of Florida. FNB changed its focus to commercial lending because of intense competition in the area for real estate and consumer loans, and because of the credit needs of small businesses that were being underserved in the area. The peer banks remain real estate lenders. Therefore, the bank has defined its own niche in the community.

The contact information was generally favorable and in line with the bank's lending. The primary needs include creating high paying jobs by encouraging manufacturing and other diverse business groups to the area. Also, the housing market would need to keep pace with the economy. Currently several subdivision developments are in process and the banks are either funding the projects or providing financing to the borrowers.

1 U. S. Census Bureau, 1990

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly LTD ratio averaged approximately 43% since the prior examination and is 38% at 12/31/02. During the 20 quarters since the last examination, the LTD fluctuated between 27% and 70%. These fluctuations are mainly due to the timing of public funds collected for the county. The current LTD is low in comparison with Vanguard's 109% and FNB&T's 77% as of fourth quarter 2002. The reason for the lower LTD for FNB is attributed to the change in lending focus, the long-term relationship with the citizens of the area who are savers, and the arrangement with the county to collect taxes.

Lending in Assessment Area

Lending in the Assessment Area reflects excellent responsiveness to the community credit needs because a substantial majority of loans are in the assessment area. A sample of 20 business loans was selected from commercial lending for 2001 and 2002. The period of review included loan originations from January 1, 1998 to December 31, 2002 from the Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Since the last examination, a substantial majority of the bank's loan originations were for commercial purpose. The secondary loan type is real estate lending of which the majority of loans were determined to be home purchase and home improvement. The following table illustrates the percentage of loans in the assessment area.

Assessment Area Lending								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	%	\$000	%	#	%	\$000	%
Business	19	95	927	97	1	5	29	3
Home Purchase	78	96	4,724	93	4	4	356	7
Home Improvement	124	99	1,337	99	1	1	5	1

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

Overall, the bank had excellent penetration among businesses of different sizes and individuals of different income (including low- and moderate-income) levels. The review period included an analysis of business and real estate loans made from January 1998 to December 2002.

The distribution of loans to borrowers of different sizes is excellent. The bank made 80% of the commercial loans and 78% of the total loan amount in the sample to small businesses. Of the businesses in the assessment area, this compares favorably to those businesses that did list their gross revenue and are classified as small businesses.

The lending performance is excellent compared to the demographic information and the percentage of families in the assessment area that earn below the poverty level. The following table shows the percentage of home purchase and home improvement loans in the assessment area compared to the percentage of families by income level residing in the assessment area.

Distribution of Real Estate Loans					
	% of Families in AA	Home Purchase		Home Improvement	
		% of Loans	% of Loan Amount	% of Loans	% of Loan Amount
Low-Income	16	24	15	43	21
Moderate-Income	21	27	17	26	25
Middle-Income	24	13	12	18	16
Upper-Income	39	36	56	13	38

The percentage of the number of home purchase and home improvement loans made to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income families in the assessment area.

Geographic Distribution of Loans

Overall, the geographic distribution of loans reflects excellent dispersion throughout the assessment area. Our sample of business loans disclosed a strong penetration of the assessment area even though no loans were made in the upper-income tracts. The percentage of lending to businesses in the moderate-income tracts was strong, exceeding the percentage of businesses operating in those tracts. Thirty-five percent of the business loans in our sample were made in moderate-income tracts while 65% percent were made in middle-income tracts. This compares favorably with the percentage of businesses located in moderate-income tracts (16%) and middle-income tracts (72%). While our sample showed no loans to the 12% of businesses located in the upper-income tracts, many of these businesses have access to other financial avenues.

Overall, the distribution of real estate loans is excellent. The following table shows the percentage of home purchase and home improvement loans in the assessment area compared to the percentage of owner-occupied housing units in the assessment area.

Distribution of Real Estate Loans					
	% of owner-occupied housing units in AA	Home Purchase		Home Improvement	
		% of Loans	% of Loan Amount	% of Loans	% of Loan Amount
Moderate-Income	15	41	28	38	70
Middle-Income	67	58	67	62	30
Upper-Income	18	1	5	0	0

The percentage of the number and amount of loans made in moderate-income tracts exceeds the percentage of owner-occupied housing units in the assessment area for both home purchase and home improvement loans.

Responses to Complaints

There were no CRA related complaints during the evaluation period.

Fair Lending Review

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.