



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 21, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Baldwin County
Charter Number 24220**

**1207 North Mckenzie Street
Foley, AL 36535**

**Comptroller of the Currency
New Orleans (Louisiana)
3838 North Causeway Boulevard, Suite 2890
Metairie, LA 70002**

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 major factors, which support this rating, include:

- First National Bank of Baldwin County’s lending performance is satisfactory given its size, financial condition, and the credit needs of the assessment area.
- The level and trend of the bank’s loan-to-deposit ratio are more than favorable and compare favorably with national and local peer banks.
- A substantial majority of the bank’s primary loan products were originated within the assessment area.
- The bank’s lending patterns to small businesses with revenues less than \$1 million and to individuals of different incomes is satisfactory.

DESCRIPTION OF INSTITUTION

First National Bank of Baldwin County is a community bank headquartered in Foley, AL with branches in Fairhope, AL and Gulf Shores, AL. First National Bank of Baldwin County began operations in December of 2001 and had total assets of \$122 million as of December 31, 2004. Competition for the bank includes several large holding company banks with a presence in the area and two other banks of similar size. The bank offers traditional loan and deposit products with commercial and consumer real estate lending comprising the majority of the bank’s lending activities. There are no legal or financial circumstances that would impede the bank’s ability to help meet the credit needs of its AA.

Loan Type	% by Dollars of Loans Originated/Purchased	% by Number of Loans Originated/Purchased
Consumer Real Estate	42%	33%
Commercial Real Estate	45%	21%
Commercial & Industrial	9%	20%
Consumer Installment	2%	12%
Other Loans	2%	14%
Total	100%	100%

DESCRIPTION OF SOUTH BALDWIN COUNTY

First National Bank of Baldwin County's assessment area (AA) is the portion of Baldwin County that is south of Interstate-10, which consists of 10 upper-income and 6 middle-income census tracts. The bank's AA meets the requirements of applicable laws and regulations. There are no low or moderate-income tracts in the AA. Census data for 2000 reflects a total AA population of 107,867, which is comprised of 43,435 households. The data also indicates that the AA has 39,986 total single-family housing units with a median housing value of \$127,391. However, a contact with a local community development organization indicated that affordable housing is a problem for the area as housing values have risen dramatically over the past several years. In addition, the community contact stated that South Baldwin County is experiencing rapid growth, especially in the Foley, AL area. South Baldwin County has several miles of coastline along the Gulf of Mexico and tourism is the primary driver of the local economy. Major employers in South Baldwin County are the Baldwin County Board of Education and the Riviera Center Outlet Mall.

Baldwin County was previously located in the Mobile, AL, metropolitan statistical area (MSA). However, the MSA designation was changed and beginning in 2004, Baldwin County is no longer a part of the MSA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

First National Bank of Baldwin County's lending performance is satisfactory given its size, financial condition, and the credit needs of the assessment area.

To assess the bank's lending performance we analyzed the bank's origination of consumer and commercial real estate loans for 2003 and 2004. The bank was a Home Mortgage Disclosure Act (HMDA) reporter for 2003 but did not report in 2004 due to the aforementioned change in MSA designation. For our consumer real estate analysis, we used the 2003 HMDA data and sampled 20 consumer real estate loans originated in 2004. For our commercial real estate analysis, we sampled loans 20 loans originated during 2003 and 2004.

Loan-to-Deposit Ratio

First National Bank of Baldwin County's average loan-to-deposit (LTD) ratio since the bank opened reflects more than reasonable performance given the bank's size, financial condition, and credit needs of the assessment area. Since the bank first began operations in December of 2001, the quarterly loan-to-deposit ratio has averaged 91%. Banks of similar size¹ in the state of Alabama averaged 66% over the same time frame.

Lending in Assessment Area

First National Bank of Baldwin County originates a substantial majority of loans within its assessment area. The 2003 HMDA data indicates the bank originated 96% of consumer real

¹ All banks in Alabama with total assets between \$50million and \$100million as of 12/31/04.

estate loans in the AA. In our sample of 20 consumer real estate loans originated in 2004, 95% were in the AA. In a sample of 20 commercial real estate loans originated in 2003 and 2004, 100% were within the bank's assessment area.

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

The bank's pattern of lending to low- and moderate-income individuals and small businesses is satisfactory. Although, the bank's consumer real estate lending to low- and moderate-income borrowers is less representative than AA demographics, the penetration is reasonable when considering the newness of First National Bank of Baldwin County and external factors that impact bank opportunities. The primary factor impacting the bank performance is the availability of affordable housing within the assessment area. The value of housing in the AA has risen drastically since 2000 when the average median housing value was \$127,391.² Even with a median housing value at the 2000 level, low- and moderate-income individuals would have difficulty obtaining home purchase loans using conventional underwriting standards. The impact of the rising home values can also be seen when analyzing the bank's origination of non-purchase home loans. Analysis of the 2003 HMDA data for home improvement and home refinancing loans reflects penetration among low- and moderate-income borrowers that more closely approximates the percentages within the bank's AA than for home purchase loans.

The bank's penetration among individuals of different incomes in comparison to the distribution of individual income levels within the assessment area³ can be seen in the following tables. Table 2a reflects our analysis of the HMDA data submitted for 2003 while table 2b reflects our analysis of a sample of 20 consumer real estate loans originated in 2004.

Table 2a - Borrower Distribution of 2003 HMDA Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
All HMDA loans.	12%	5%	13%	5%	20%	14%	55%	76%
Home Improvement and Refinancing	12%	8%	13%	10%	20%	23%	55%	59%

Table 2b – Borrower Distribution of Residential Real Estate Sample								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Consumer RE	12%	5%	13%	5%	20%	15%	55%	75%

² 2000 U.S. Census Data

³ 2000 U.S. Census Data

We also reviewed a sample of 20 business loans originated in 2003 and 2004 to assess lending to small businesses. Of our sample, 17 or 75% were to small businesses with annual gross revenues of less than \$1million. This is comparable to the business demographics of the bank's AA with 67% of South Baldwin County businesses reporting gross annual revenue of less than \$1million.⁴

Geographic Distribution of Loans

A geographic analysis would not be meaningful as there are no low or moderate-income geographies in the assessment area.

Responses to Complaints

First National Bank of Baldwin County has not received any CRA related complaints since the prior examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

⁴ 2000 U.S. Census Data