



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 29, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Citizens National Bank of Southwest Fl
Charter Number 23782**

**3411 North Tamiami Trail
Naples, FL 34103**

**Comptroller of the Currency
South Florida Field Office
5757 Blue Lagoon Drive Suite 200
Miami, FL 33126**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Citizens National Bank of Southwest FL, Naples, FL as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 29, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

We evaluated **Citizens National Bank of Southwest Florida's (Citizens)** CRA performance using the small bank performance criteria. Citizens is a new bank that opened in August 1999. This is the bank's first CRA evaluation. Our evaluation covered the period from August 1999 through January 31, 2001.

In order to assess the bank's performance from its lending activities, we sampled a total of 42 loans made by the bank since inception, with a bias towards more recently made loans. The sample covered the bank's two primary lending products: Commercial/Commercial Real Estate loans and Home-related mortgage loans made to individuals.

Our performance evaluation finds that Citizens' performance is "Satisfactory". The primary reasons for this rating are:

- The bank's average loan to deposit ratio since its opening is considered reasonable.
- A substantial majority of the loans sampled were originated inside the assessment area.
- The distribution of loans sampled reflects a reasonable penetration to borrowers of different income levels and businesses of different sizes within the bank's assessment area.
- Given the demographics of the area, loans originated in the assessment area reflected reasonable dispersion among census tracts of different income levels, including low- and moderate-income census tracts.

DESCRIPTION OF INSTITUTION

Citizens is a small community bank located in the City of Naples, Fl. It is wholly owned by Citizens Bancshares of Southwest Florida Inc., a one-bank Holding Co. Since its opening in August of 1999, total assets have grown to \$49 million, as of December 31, 2000. Total deposits approximate \$42 million as of the same date.

The bank offers full banking services, including trust and wealth management services, out of their only office in the Park Shore area of Naples. They also have drive-up facilities and one automated teller machine (ATM) at this office. The office is located in an upper-income geography within their assessment area.

Citizens offers a variety of credit products. The bank's primary lending focus is commercial, including commercial real estate, and small business loans within the community. To a lesser degree, the bank makes consumer and residential real estate loans. As of December 31, 2000, Citizen's loan portfolio totaled \$33 million, with approximately \$20 million (62%) in commercial/commercial real estate. Another \$10.5 million or 32% of the portfolio is in residential mortgages, and the remaining 6% is represented by \$2.5 million in consumer purpose loans. Home equity loans make up 57% of the consumer loan portfolio. The bank is primarily a real estate lender.

The bank competes locally with a host of small and large financial service providers, including mortgage brokers, finance companies, and trust organizations. Branches of large multinational and regional financial institutions located within the bank's assessment area are considered major competitors. Citizens also competes with smaller, independent institutions in the same market. No legal or other factors impede the bank's ability to meet the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA - COLLIER COUNTY/NAPLES, FLORIDA

Citizens' assessment area (AA) is a major portion of the Collier County - Naples, Fl. Metropolitan Statistical Area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income geographies. There are 22 census tracts in the AA, which is about 70% of the total census tracts in the entire MSA (31).

The boundaries of the AA are within the general limits of the City of Naples. The AA is defined by the Collier County line on the north, the Gulf of Mexico on the west, SR 951 as its eastern boundary, and the Intercoastal Waterway separating Naples from Marco Island, is its southern boundary.

The Collier County/Naples MSA includes three main cities: Naples, Marco Island and Immokalee. Naples, which is the business center and the focus of population growth, is centrally located on the western edge of the county while Marco Island, a resort community, is approximately 20 miles south along the coast. Immokalee is 30 miles northeast of Naples. Agricultural concerns are concentrated in the northeast section of the county, principally in the

Immokalee area. The Florida Everglades comprises approximately 85 percent of the MSA, with nearly 50 percent of the county within the Big Cypress Preserve. This area is in its entirety protected swamps and vacant wetland. The area is very sparsely populated and with no real economic activity.

Citizens' AA consists of 22 census tracts, which is approximately 67% of the total (33) tracts in the entire MSA. In relation to the median family income for the MSA, these geographies are distributed as follows: One low-income, 11 middle-income, and 10 upper-income census tracts. There are no moderate-income census tracts in the AA. The percentage of census tracts in each income category are: 5% low income, 50% middle income, and 45% upper income.

According to the 1990 U.S. Census, the Collier County's Weighted Average Census Median Family Income is \$38,428. A low income census tract has a median family income of less than 50% of this figure, a moderate income tract has 50% to 80%, a middle income tract has 80% to 120%, and an upper income census tract has 120% or more of the MSA's median family income. The 2000 updated median family income for the MSA increases to \$59,100. This updated figure is used to categorize the percentage of families within the MSA by different income levels. For the entire MSA, 18% of the families are considered low-income, 20% are moderate-income families, 23% middle-income, and 39% are upper-income, based on this updated median income figure.

The Collier County/Naples area is one of the fastest growing areas in the state of Florida, with population growth posting record numbers. The area is currently home to approximately 200,000 persons. These numbers swell to almost 400,000 during the winter months, with the influx of wealthy retirees from other parts of the country, mainly the Midwest. This accounts for the community's high growth and affluence. Collier County has the highest median family income in Florida. However, this figure is disproportionate to the median wage given that a majority of the population are not wage earners.

The demographics of the county, as reflected by the income distribution of its census tracts, does not accurately represent the income level of residents. Very low-income sections can be found next to resort areas with million-dollar homes, owned by wealthy individuals. This tends to skew the income figures reported. Only about 40 percent of the population in the county are actually "wage earners." Everyone else is retired and/or has passive/investment income sources.

The population growth has resulted in real estate construction and development increasingly becoming primary businesses in the area. Tourist dollars also contribute significantly to the area. Shopping centers, restaurants, and hotels are plentiful. They provide substantial employment opportunities for the county's residents in the retail, tourism and services industry. Other major area employers are in the health care service industry, including hospitals, nursing care facilities, and home health care services.

The county does not have a very diversified economy. Construction and real estate development are the big industries in Collier County. However, new projects being built are mostly retail space, golf resorts and exclusive communities, instead of affordable housing. This creates a housing shortage for those persons employed in the service and hospitality industries, which can not afford to buy a home in the area.

Rents are high and increasingly driven by the low supply of lower-end housing stock. And the fact that there is three times as much retail space in the county as space for housing, compounds the problem with locating affordable housing by those who work in the area. Collier County has more retail square footage per capita than anywhere else in the country.

Assessment Area Credit Needs

Information regarding lending opportunities, and constraints affecting these, within the bank's assessment area was developed through our examination process. Also, information obtained from two community/economic development organizations contacted by examiners during this examination, and three other contacts made by other regulatory agencies in the recent past, helped us to identify local credit needs. These contacts revealed that loans to build, or rehabilitate affordable housing, as well as to purchase affordable housing stock are a primary need in the area. Also financing of small businesses to promote economic development is identified as a credit need in this area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN TO DEPOSIT RATIO

Conclusion: We rate this performance category as “satisfactory.” Citizen's average quarterly loan to deposit ratio is reasonable, considering the bank’s size and age, financial condition, and seasonal variations in lending and deposit taking activities.

Support of Conclusion: Citizen's quarterly average loan to deposit ratio from December 31, 1999 through December 31, 2000 was 60.9%. The bank’s quarterly average ratio is higher than the average ratio of four other similarly situated banks in the assessment area.

These banks averaged 56.31% of loans to deposits, adjusting for the average ratio of one of these banks (Pelican), which has a high level of wholesale-purchased mortgage loans. This tends to distort the true picture of their lending activities in the assessment area. The range of loan to deposit ratios for the remaining three banks was from 32.8% to 67.8%, while Pelican’s ratio averaged 106.6% for the five quarters, an obvious aberration created by the wholesale purchases.

These four community banks are similar in asset size (all less than \$100 million in total assets) and have main offices in the City of Naples. There are two national and two state banks.

LENDING IN THE ASSESSMENT AREA

Conclusion: We rate this performance category as “exceeds satisfactory.” A substantial majority of the loans made during the evaluation period were inside of the assessment area. Citizen's primary loan types are business loans and mortgage loans to individuals. The determination of the percentages of loans made within and outside the bank’s assessment area was based on the sample of loans from those two primary loan types, as described above.

Support of Conclusion: The charts below depict the result of our sampling of 42 loans, evenly split at 21 each between business loans and home mortgage loans. The population included loans made since August 1999 through January 31, 2001. The sample selected favored loans made within the last six months prior to the exam date. The sample's distribution of loans made inside and outside of the bank's assessment area is as follows:

**Distribution of Loans In/Out of the Assessment Area
By Number of Loans Sampled**

LOAN TYPE	Comm. & CRE Loans		Home Mortgage Loans		Total Loans Sampled	
	#	%	#	%	#	%
Inside the AA	17	81%	16	76%	33	79%
Outside the AA	4	19%	5	24%	9	21%
TOTAL	21		21		42	

**Distribution of Loans In/Out of the Assessment Area
By the Dollar Amount of Loans Sampled**

LOAN TYPE	Comm. & CRE Loans		Home Mortgage Loans		Total Loans Sampled	
	(\$000's)	%	(\$000's)	%	(\$000's)	%
Inside the AA	\$4,068	88%	\$4,332	76%	\$8,400	89%
Outside the AA	\$541	12%	\$446	9%	\$987	11%
TOTAL	\$4,609		\$4,778		\$9,387	

It is worth noting that of nine loans sampled that were made outside the bank's assessment area, eight were made in geographies immediately adjacent to the northern and southern boundaries of the bank's AA (Bonita Springs and Marco Island). Only one loan in the sample was truly from outside the bank's market area.

**LENDING TO BORROWERS OF DIFFERENT INCOMES
AND TO BUSINESSES OF DIFFERENT SIZES**

Conclusion: We rate this performance category as "satisfactory." Taken into consideration the unique demographics of the bank's assessment area, we found that Home-related lending to individuals of different income levels, including low- and moderate-income, is reasonable. We also reviewed the distribution of business loans to businesses of different sizes and found it to be reasonable.

Support of Conclusion: The following table summarizes the income distribution of the home mortgage loans in our sample. The next table shows the sample distribution of commercial/commercial real estate loans, by size of business, using the definition of a small business being those with annual gross revenues under \$1 million:

**Distribution of Home Mortgage Loans Originated in Assessment Area
By Number Of Loans And Amount Sampled**

BORROWER INCOME CATEGORIES	# Loans	% of Total	\$ (000s)	% of Total	Distribution of Families by Income w/n AA
Upper (> 120%)*	8	50%	\$3,477	80%	44%
Middle (80% to 119%)*	4	25%	\$567	13%	24%
Moderate (50% to 79%)*	1	6%	\$100	2%	19%
Low (< 50%)*	3	19%	\$188	4%	14%
TOTAL	16		\$4,332		

(*) Percentage of Updated Median Family Income of \$59,100.

The above percentages reflect a reasonable distribution, based on our limited sample. In terms of the number of loans made, the bank's performance in the upper- and middle-income categories is fairly comparable to the AA's family income distribution, although they are a bit above the proportion of families in each of those two categories. But in the low-income category, the bank's percentage of home loans made to low-income individuals exceeds the percentage of families in that income category within their AA.

**Distribution of Business Loans Originated in Assessment Area
By Number Of Loans And Amount Sampled**

BUSINESS SIZE*	# Loans	% of Total	\$ (000s)	% of Total	% of Businesses in Assessment Area by Size
Small Businesses	11	65%	\$2,789	69%	88%
Large Businesses	6	35%	\$1,279	31%	9%
TOTAL	17		\$4,068		(3% - Revenues Not Reported)

(*) Small = Gross annual revenues less than \$1 million.

Large = Gross annual revenues more than \$1 million.

Their business loan generation also reflects a reasonable distribution in that, based on our sample, Citizens is making a majority of their loans to small businesses. It should also be noted that of the seven loans in our sample, made to what are considered large businesses, according to the above definition, five were made to businesses in the \$2 to \$5 million annual revenues category, which are not exactly large enterprises. This is consistent with the bank's orientation and meets an identified credit need in the community.

GEOGRAPHIC DISTRIBUTION OF LOANS

Conclusion: We rate this performance category as “satisfactory.” The loans originated in the assessment area reflect a reasonable dispersion among census tracts of different income levels.

Support of Conclusion: Given Citizen's relatively small asset size and the unique demographics of its chosen assessment area, the dispersion of loans sampled is reasonable and fairly comparable to the income distribution of the geographies in the assessment area. The following tables show the geographic distribution of our sample of loans made in their assessment area.

**Geographic Distribution of Sampled Loans
Originated In The Assessment Area
Compared to the Distribution of
Census Tracts by Income Category
(By Number of Loans)**

Income Level of Census Tracts *	Distribution of Census Tracts in AA (by Income Category)		Distribution of Comm/CRE Loans by Census Tracts w/n AA		Distribution of Home Mortgage Loans by Census Tracts w/n AA		Distribution of All Loans Sampled by Census Tracts w/n AA	
	# of Tracts	% of Total	# of Loans	%	# of Loans	%	# of Loans	%
Low	1	5%	0	0	0	0	0	0
Moderate	0	0%	0	0	0	0	0	0
Middle	11	50%	9	53%	7	44%	16	48%
Upper	10	45%	8	47%	9	56%	17	52%
Total	22	100%	17	100%	16	100%	33	100%

(*) Based on 1990 U.S. Census Weighted Average Median Family Income of \$38,428

This table shows that, in terms of the number of loans made within the assessment area, there is reasonable dispersion among the different geographies, based on our sample. There is an apparent disparity in the number of loans made in middle- and upper-income geographies, when

compared to the proportion of such geographies in the assessment area. However, this can be explained by the fact that the bank has only one office, located in an upper-income census tract, and the majority of their lending is being done in the areas immediately adjacent to this office which are also designated middle- and upper-income census tracts.

It should also be noted that Citizens works closely with a local civic and religious leader in the River Park area of the City of Naples, a widely recognized low- and moderate-income area of the community, to offer small loans, with more flexible underwriting criteria. The loans' more flexible terms included higher loan-to-value/cost ratios, higher debt-to-income ratios, or more relaxed credit history requirements. Since in dollar terms, the aggregate amount of these loans is not significant in relation to their overall lending, they were not picked up by our sampling, which is why the above chart show a zero penetration in the only one low-income census tract within the assessment area.

However, the time and resources spent in servicing these loans reflects a significant effort in meeting the credit needs of an under served sector of the community. To date the bank has approved eight credits for approximately \$60 thousand in the aggregate.

The next table shows the same geographic distribution analysis, but in terms of aggregate dollar amounts of the loans sampled. This table shows an almost inverted relationship when the bank's dispersion is compared to the proportionate number of census tracts under each income category. This is explained by the fact that loans made in upper- and middle-income census tracts will tend to be larger given the borrowing capacity of the borrowers residing in those areas. The effect on a limited sample of loans would be to disproportionately increase the percentages of dollars lent out, in relation to the number of loans made, within each of the geographic income categories.

**Geographic Distribution of Sampled Loans
Originated In The Assessment Area
Compared to the Distribution of
Census Tracts by Income Category
(By Aggregate Dollar Amount)**

Income Level of Census Tracts *	Distribution of Census Tracts in AA (by Income Category)		<i>Distribution of Comm/CRE Loans by Census Tracts w/n AA</i>		<i>Distribution of Home Mortgage Loans by Census Tracts w/n AA</i>		<i>Distribution of All Loans Sampled by Census Tracts w/n AA</i>	
	# of Tracts	% of Total	(\$000's)	%	(\$000's)	%	(\$000's)	%
Low	1	5%	0	0	0	0	0	0
Moderate	0	0%	0	0	0	0	0	0
Middle	11	50%	\$1,949	48%	\$1,748	40%%	\$3,697	44%
Upper	10	45%	\$2,119	52%	\$2,584	60%	\$4,703	56%

Total	22	100%	\$4,068	100%	\$4,332	100%	\$8,400	100%
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(*) Based on 1990 U.S. Census Weighted Average Median Family Income of \$38,428

RESPONSE TO COMPLAINTS

Citizens has not received any complaints regarding its CRA performance during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

An analysis of one year (1999) of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of the information revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year.

We performed limited testing of the technical provisions of the Equal Credit Opportunity Act, in relation to adverse actions taken. No evidence of discriminatory practices was revealed by our review.