



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 25, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Nassau County
Charter Number 23766**

**1891 South 14th Street
Fernandina Beach, FL 32034**

**Comptroller of the Currency
North Florida Field Office
8375 Dix Ellis Trail #403
Jacksonville, FL 32256**

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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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 **First National Bank of Nassau County (FNB)**, Fernandina Beach, Florida prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 25, 2002**. 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 Record of Meeting Community Credit Needs**.

First National Bank's performance rating is supported by the following:

- The loan to deposit ratio is reasonable
- The majority of loans and other lending activities are in the bank's assessment area;
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

As of March 25, 2002, First National Bank of Nassau County (FNB) was a \$73 million dollar retail banking institution located in Fernandina Beach, Florida. The bank serves the credit and deposit needs of its customers from a full service banking facility located at 1891 South 14th Street in the city of Fernandina Beach, Florida. This facility includes drive up and ATM services. FNB also has a retail mortgage facility located in Jacksonville, Florida which originates residential mortgage loans. The bank is 100% owned by First Capital Bank Holding Corporation, a \$79 million dollar holding company located at the bank address. FNB's primary lending focus is commercial and real estate lending. There are no known financial or legal impediments that should hinder the bank from meeting the credit needs of its assessment area.

FNB offers a wide variety of financial products including commercial loans, residential mortgage loans, consumer loans and deposit accounts. The bank employs a full time, qualified Small Business Administration lender. Additionally, they engage in wholesale mortgage banking in which the bank purchases and originates agency eligible mortgage loans for sale to institutional investors. Both of these business strategies are beneficial to the local and surrounding communities.

On December 31, 2001, net loans totaled \$31.7 million and comprised 64% of assets. The composition of the loan portfolio was as follows:

PORTFOLIO TYPE	Dollar amount (000)	% of portfolio
COMMERCIAL/COMMERICAL REAL ESTATE	\$18.5	58
RESIDENTIAL REAL ESTATE	\$11.8	37
CONSUMER	\$ 1.4	5

FNB opened for business on July 26, 1999. This is the bank's first Public Evaluation and covers the period of time from July 1999 to March 2002.

DESCRIPTION OF NASSAU COUNTY

FNB designates the geographic boundaries of Nassau County, Florida as its assessment area. Nassau County is divided into three incorporated areas: Hilliard in the northwest region, Callahan in the south mid-west and Fernandina Beach in the east. A number of small rural communities are also included in the county. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Nassau County is included in the Jacksonville, Florida Metropolitan Statistical Area (MSA). According to the U.S.Census Bureau in 1990, there were no low- or moderate-income census tracts in the bank's assessment area. There are four middle-income census tracts and one upper-income census tract. In the county, 19% of families were considered low-income, 18% were

moderate-income, 24% were considered middle-income, and 39% were considered upper-income families. The 2001 Housing and Urban Development estimate of MSA median family income for Florida was \$54,500.

Nassau County is located in the Northeast corner of Florida along the Georgia border, approximately 30 miles north of downtown Jacksonville on the I-95 corridor. The county is a blend of rural and wooded areas to the west and rivers, wetlands, beaches and the Atlantic Ocean to the east. The estimated 2000 population for the county was 57,663, and has increased 31% from 1990 to 2000. This has been due to the development of upscale residential communities and increased tourism in the area. The November 2001 unemployment rate was 4.1% compared to the State of Florida average of 4.8%. According to the 1990 Census, 26% of households in Nassau County received Social Security and 15% were retired. Additionally, 87% of housing units in those areas were occupied while 68% were owner occupied. These figures were based on published demographic information.

Major industries in the area include tourism/services, retail trade, and manufacturing. The largest employers in the assessment area include Amelia Island Plantation Company, the Ritz-Carlton Resort, Smurfit Stone Corporation, Winn Dixie Stores, Incorporated, and White Oak Plantation.

The following table highlights the demographic composition of Nassau County.

Type of income Census Tracts	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low (less than \$27,250)	0	0%	0	0%
Moderate (\$27,251 to \$43,600)	0	0%	0	0%
Middle (\$43,601 to \$65,480)	4	80%	13,362	82.57%
Upper (greater than \$65,481)	1	20%	2,820	17.43%

The banking industry in the assessment area is highly competitive. Multinational and regional banks are represented by Bank of America, First Union, Compass, Synovus and First South. They, along with local community banks such as Southeastern, community bank's in neighboring Jacksonville and local credit unions in the area, afford community residents alternatives for meeting their particular banking needs.

As part of our examination, we met with a representative from the community regarding local economic conditions and community credit needs. Based on information provided by a representative from the Chamber of Commerce, the primary lending needs in the area are

centered in small business loans. Our contact indicates that the area financial institutions are positively perceived for their involvement in the local community and that the area banking needs are being adequately met.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan to deposit ratio is satisfactory based on its size, its recent entry into the market and the assessment of credit needs. The average net loan-to-deposit ratio using quarter end information from September 30, 1999 to December 31, 2001 and excluding wholesale mortgages held for sale, was 50%. The ratios ranged from 33% to 52% during this time period. A group of similarly situated banks within the same market area had an overall average of 84% during the same time period. Similarly situated banks include eight banks considered FNB's peer due to their location, size and types of services offered. FNB's national peer group average was 76%. While FNB's average appears low in comparison to its local and national peer, this is offset by the fact that it is a new institution in process of establishing its niche and building a customer base within the highly competitive service area. As of March 25, 2002, FNB's loan-to-deposit ratio was 59%.

Lending in Assessment Area

A majority of the bank's lending is within its defined assessment area. Because the bank focuses on commercial lending, we performed an analysis of a sample of 22 commercial loans originated by the bank between July 1999 and March 2002. We found that 20 loans were originated within the bank's assessment area (AA) and is detailed as follows:

Lending In the Assessment Area Commercial Lending					
	# of Loans in sample	%	\$ of Loans (000)	%	
Inside AA	20	81	7,812	87	
Outside AA	2	9	1,175	13	
Totals	22	100	8,987	100	

In order to perform an analysis of the bank's residential lending within the AA, we utilized Home Mortgage Disclosure Act (HMDA) data for the year 2001, which was the first year the bank was responsible for reporting the information. The bank originated 1,216 HMDA loans in 2001 totaling approximately \$188 million. Of this amount, approximately 1,129 or \$174 million were sold to institutional investors within 30 days of origination. In order to obtain a meaningful sample of the bank's customers, these loans were excluded from our analysis. Our sample included HMDA loans originated to borrowers within all of the Jacksonville MSA which are

maintained in the bank's portfolio.

Lending In the Assessment Area Residential Real Estate					
	# of Loans in sample	%	\$ of Loans (000)	%	
Inside AA	49	56	8,873	64	
Outside AA	38	44	4,953	36	
Totals	87	100	13,826	100	

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

The dispersion of loans to borrowers of different income levels and businesses of different sizes is reasonable. We sampled a total of 36 residential real estate loans originated within the AA. As the following tables indicate, FNB's lending to borrowers of low- and moderate-income levels is satisfactory in view of the demographics of the assessment area.

Of the residential real estate sample, approximately 17 of the number of loans and 2% of the dollar volume of loans were granted to low- and moderate-income borrowers. Distribution at other income levels is considered reasonable.

Distribution of Residential Loans by Borrower Income Level in Assessment Area				
Income Level	% Families in Assessment Area	% of Loans by Number	% of Loans by Dollar	Average Loan (\$'000)
Low	19%	11%	1%	17
Moderate	18%	6%	1%	31
Middle	24%	6%	3%	84
Upper	39%	77%	95%	255
Total	100%	100%	100%	

The bank's lending volume regarding loans to small businesses is satisfactory. This type of lending was determined to be a credit need in the community as per our community contact. We chose a sample of 20 business loans originated within the bank's assessment area. Of that number, 16 loans or 80% were made to businesses having annual revenues less than \$1 million.

Total Annual Revenue	Percentage of Total Business Loans Sampled		
	Number of loans	Dollar Volume	% Business in Assessment Area
<\$500 thousand	40%	45%	80%
\$500 to \$999 thousand	<u>40%</u>	<u>44%</u>	<u>6%</u>
<\$1 million (small Business)	80%	92%	86%
>\$1 million (large Business)	20%	11%	14%

Geographic Distribution of Loans

All geographies in the bank's assessment area are middle and upper income. Therefore, a geographical analysis of FNB's loans is not meaningful.

Responses to Complaints

FNB has not received any written complaints concerning its performance in helping to meet the credit needs within its assessment area.

Fair Lending Review

An analysis was performed of public comments and consumer complaint information for 1999 and 2000 according to the OCC's risk based approach to fair lending. Based on this analysis, the OCC decided that a comprehensive fair lending examination is not needed in connection with this CRA evaluation.