

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

December 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust
Charter Number 14775**

**29 Eglin Parkway, NE
Fort Walton Beach, FL 32549**

**Office of the Comptroller of the Currency
Birmingham Field Office
100 Concourse Parkway, Suite 240
Birmingham, Alabama 35244**

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 **First National Bank & Trust** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 23, 1997. 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.

- First National Bank & Trust (FNB&T) maintains a reasonable loan-to-deposit ratio compared to other local banks.
- More than 95% of loans were originated to borrowers within the assessment area.
- Lending to borrowers of different income groups and businesses of different sizes is reasonable given the demographics of the community.
- The geographic distribution of loans reflects a satisfactory penetration of geographies within the assessment area.

The following table indicates the performance level of First National Bank & Trust with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank & Trust</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	There were no CRA-related complaints received during the evaluation period		

DESCRIPTION OF INSTITUTION

First National Bank & Trust (FNB&T) is headquartered in Fort Walton Beach, Okaloosa County, Florida. The bank operates eleven offices and twenty-eight automated teller machines (ATMs) in Okaloosa County and neighboring Santa Rosa and Walton Counties. FNB&T had total assets of \$225 million as of September 30, 1997. The bank is a wholly-owned subsidiary of Southern National Banks, Inc. Affiliated organizations include First Appraisal Corporation; Southern Courier Services, Inc.; and American Finance Company of Northwest Florida, Inc.

As of September 30, 1997, loans to businesses represented 37% of total loans outstanding. Loans for home purchase, home improvement and home equity represented 35%. There are no financial, legal or other factors that would impede the bank's ability to meet the credit needs of its assessment area. The last CRA examination for FNB&T was October 25, 1994.

DESCRIPTION OF BANK'S ASSESSMENT AREAS

The assessment areas for this evaluation are the contiguous counties of Okaloosa, Santa Rosa and Walton. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. A brief description of each assessment area follows. Demographic information is based on 1990 Census Bureau data.

Okaloosa County: This assessment area includes the entire Fort Walton Beach Metropolitan Statistical Area (MSA #2750). The MSA consists of 33 census tracts: 8 moderate-income, 20 middle-income and 5 upper-income. This is based on the 1990 Census median income of \$31,663. The updated median income for 1997¹ is \$39,200. The total population of the MSA is 143,776. The MSA is located on the gulf coast of Florida. Therefore, a large part of the economy is driven by tourism and related services. The county is also home to Eglin Air Force Base, Hurlburt Field and Duke Field, which have a significant impact on the local economy. Unemployment is low at 3%. The largest private employer is Vitro Services Corporation (military technical and engineering services). Banking competition is strong with 7 regional banks, 3 credit unions and 9 locally-based banks all having offices in the area.

Contact with local community organizations identified a need for affordable off-base housing for military personnel. There is also a growing demand for condominium housing for retirees.

Santa Rosa County: This assessment area is located west of Okaloosa County and is part of the Pensacola MSA (#6080). Santa Rosa County consists of 12 census tracts: 3 moderate-income, 8 middle-income and 1 upper-income. This is based on the 1990 Census median income of \$29,922. The updated median income for 1997 is \$38,000. The total population of Santa Rosa County is 81,608. Unemployment is 3%. Major industries are tourism, retail trade and related

¹Source: Housing and Urban Development (HUD)

services. FNB&T has 1 office in Santa Rosa County located in the coastal town of Navarre. Loan activity in Santa Rosa County accounted for 6% of FNB&T's total originations for January through October 1997.

Walton County: This assessment area is located east of Okaloosa County and is not in an MSA. The area consists of 6 block-numbering areas (BNA's): 3 moderate-income, 2 middle-income and 1 upper-income. This is based on a median income of \$25,875 for non-metropolitan areas in Florida. The updated median income for 1997 is \$32,500. The total population of Walton County is 27,760. Unemployment is 3%. Like Okaloosa and Santa Rosa Counties, tourism, retail trade and related services are major industries. FNB&T has 2 offices in Walton County located in DeFuniak Springs and Santa Rosa Beach. Loan activity in Walton County accounted for 13% of FNB&T's total loan originations for January through October 1997.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

- **Loan to Deposit Ratio**

FNB&T maintains a reasonable loan-to-deposit ratio compared to other local banks. The bank's average loan-to-deposit (LTD) ratio for the evaluation period is 61.8% compared to other local banks (headquartered in Okaloosa, Santa Rosa or Walton Counties) whose average LTD ratio is 66.8%.

- **Lending in Assessment Area**

The bank makes a substantial majority of its loans within the assessment areas. This conclusion is based on analyses prepared by FNB&T for all loans originated in 1996 and 1997. The findings are presented below.

Loans in Assessment Areas	1996	1997 (Jan-Oct)
	98.73%	95.39%

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

Lending to borrowers of different income is reasonable given the demographics of the community. We analyzed borrower income data collected in accordance with the Home Mortgage Disclosure Act (HMDA) for residential loans originated in 1996 and 1997. The data was then compared to the income distribution of families in each assessment area, using updated median income levels. The findings for 1997 are presented below.

Income Level	Okaloosa County		Santa Rosa County	
	Loan Distribution	Families in Assessment Area	Loan Distribution	Families in Assessment Area
Low Income	12.20%	16.52%	12.50%	18.27%
Moderate Income	13.41%	20.86%	37.50%	18.15%
Middle Income	32.93%	23.84%	25.00%	22.51%
Upper Income	41.46%	38.79%	25.00%	41.09%

Because Walton County is not in an MSA, HMDA data collection is not required. For that analysis, we used bank-generated reports that showed loans originated in Walton County BNA's. The report indicates whether the borrower's income is less than 80% of the median income (low- or moderate-income). For loans originated in 1997, 15.38% were made to low- or moderate-income borrowers.

The bank has a satisfactory record of lending to businesses of different sizes. We analyzed all business loans originated for 90 days from September 1997 to November 1997. Specific revenue information was not available for business loans. Therefore, our analysis used the amount of the loan as a proxy for the size of the business. The assumption is that small businesses will generally require small loan amounts. The results of our analysis are shown below.

Loan Size	Percentage of Sampled Loans
< \$100,000	77%
\$100,000 to \$250,000	9%
\$251,000 to \$500,000	9%
> \$500,000	5%

- Geographic Distribution of Loans**

The geographic distribution of loans reflects a reasonable penetration of geographies within the assessment area. For this analysis we used bank-generated reports of loans by census tract or BNA. The results show that the distribution of loans to moderate, middle and upper income census tracts is reasonable given their proportion within the assessment area and the location and

number of bank branches within each assessment area. The results are summarized in the table below.

Income Level	Okaloosa County			Santa Rosa County			Walton County		
	% Census Tracts	% of Loans	# of Branches	% Census Tracts	% of Loans	# of Branches	% BNAs	% of Loans	# of Branches
Low	0%	NA	NA	0%	NA	NA	0%	NA	NA
Moderate	24%	20%	2	23%	1%	0	50%	2%	0
Middle	61%	72%	6	62%	96%	1	33%	35%	1
Upper	15%	8%	0	8%	3%	0	17%	63%	1

- **Response to Complaints**

There were no CRA-related complaints during the evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

Our examination of compliance with antidiscrimination laws and regulations revealed no substantive violations.