



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

November 12, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Independent National Bank
Charter Number 23484**

**60 S.W. 17th Street
Ocala, Florida 34474**

**Comptroller of the Currency
Ken Page, North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, Florida 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.

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

- Independent National Bank's average loan-to-deposit ratio is reasonable in comparison to similar-sized institutions.
- A substantial portion of residential and business lending occurs within the assessment area.
- The lending distribution to borrowers of different incomes is reasonable given the demographics of the community.
- Although the lending opportunities are limited in the low- and moderate- income census tracts, the bank needs to improve its lending penetration.

DESCRIPTION OF INSTITUTION

Independent National Bank (INB) was chartered in 1988 and is a locally owned and managed bank with four offices in Marion and Sumter counties. INB is wholly owned by Independent Bancshares, Inc., a one-bank holding company. The main office is located in Ocala, Florida. The other three offices are located in Ocala, Belleview and Lady Lake. The bank offers automated teller machine (ATM) access as well as drive-up facilities at all offices. Additionally, the bank offers ATM cards, which allows access from many locations throughout Florida and the county. INB offers a variety of lending programs but generally its primary focus has been in business and residential real estate lending which represents 56% and 40%, or \$48 million and \$34 million, respectively, of the loan portfolio.

As of December 31, 2002, the bank had total assets of approximately \$132 million with net loans accounting for 64% of total assets. There are no financial or regulatory constraints that would prevent the bank from meeting the credit needs of the community. The last CRA examination for INB was June 21, 1999 and the bank received a satisfactory rating.

DESCRIPTION OF ORANGE AND SEMINOLE COUNTIES

INB's two assessment areas (AA) consist of all Marion county and the northeastern section of Sumter County and includes the cities of Ocala, Belleview, Dunnellon and Lady Lake. The Marion county assessment area is located in the Ocala Metropolitan Area (MA #5790). There are also two census tracts that are not in an MA, located in Sumter County. Our evaluation will focus on the Ocala MA as INB's lending is centered in Marion County.

The Marion County AA is comprised of 45 census tracts. Based on the 1990 Census Bureau median family income of \$26,089, there is one census tract classified as low-income, four are moderate-income, thirty-three are middle-income and seven are classified as upper-income tracts. The Department of Housing and Urban Development (HUD) estimates the 2002 median family at \$41,600 for the Ocala MA. Based on this income, 18% of the families in the assessment area are classified as low-, 19% moderate-, 24% middle- and 39% upper-income.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Marion County is located in north central Florida and is 40 miles southeast of Gainesville and 80 miles north of Orlando. Due to its extremely affordable housing costs, Ocala has become a popular destination for retirees and a commuter town for younger residents who work in neighboring Gainesville, Orlando and Daytona Beach. Top employers include Munroe Regional Medical Center, Emergency One, Inc., Publix Supermarkets and Wal-Mart Stores, Inc. Horse farming has also become a growing industry in Ocala and was named the Horse Capital of the World by the U.S. Department of Agriculture. Ocala is one of only four major thoroughbred breeding and training centers in the world. Ocala's population has nearly quadrupled over the past three years and roughly one-fourth of personal income is derived from dividends, interest and rent compared to 18% nationally.

Contact by the OCC with a local based organization in Ocala identified small business development loans and affordable housing programs for low- and moderate-income families as continued credit related needs for the assessment area.

Competition for financial services within the bank's assessment area is intense and includes several branches of multi-national and regional banks, local community banks, credit unions, and other nonbank financial service providers.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio – Meets the Standard for Satisfactory Performance**

INB's average loan-to-deposit ratio is reasonable in comparison to similar-sized institutions. The average loan-to-deposit (LTD) ratio was calculated and averaged for each quarter since the last CRA exam or the March 31, 1999 loan-to-deposit data. We compared the bank's average ratio to those of similarly situated Marion, Sumter and Lake County banks (6) with less than \$250 million in total assets. The average LTD ratio for the last 15 quarters for INB was 75.88%, which is slightly higher than the six peer banks' average LTD ratio of 74.02%.

- **Lending in the Assessment Area – Exceeds the Standard for Satisfactory Performance**

A substantial portion of residential and business lending occurs within the assessment area. This conclusion is based on an analysis of all residential mortgages originated and reported on the Home Mortgage Disclosure Act-Loan Application Register (HMDA LAR) between July 1, 1999 and December 31, 2002. Our analysis also included a random sample of business loans originated during the same time period. As detailed in the table below, 90% (by number) of all residential real estate loans reported on the HMDA-LARs were made to borrowers within the assessment area. Likewise, 96% (by number) of sampled business loans made during our evaluation period were within INB's assessment area.

Assessment Area Lending for Home Purchase and Improvement and Refinance Loan Originations reported on the HMDA - LAR between July 1, 1999 to December 31, 2002								
	In Assessment Area				Out of Assessment Area			
Loan Type	#	% of Number	\$000's	% of \$Amount	#	% of Number	\$000's	% of \$Amount
All HMDA - LAR loans	354	90%	30,592	87%	41	10%	4,397	13%

Assessment Area Lending for Sample of Business Loan Originations between July 1, 1999 to December 31, 2002								
	In Assessment Area				Out of Assessment Area			
Loan Type	#	% of Number	\$000's	% of \$Amount	#	% of Number	\$000's	% of \$Amount
Business loans	26	96%	1,848	46%	1	4%	2,200	54%

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes– Meets the Standard for Satisfactory Performance**

The lending distribution to borrowers of different incomes is reasonable given the demographics of the community. Our analysis is based on our review of 329 residential real estate loans originated and reported on the HMDA-LARs during the evaluation period. The breakdown of loans reviewed includes 265 home purchase, 36 refinance and 28 home improvement loans. Our conclusion is also based on a random sample of 25 business loans originated during the evaluation period. We compared the income distribution of the bank's borrowers to the income distribution of families within the assessment area using the 2002 HUD median family income levels. The distribution of this lending is outlined in the table below.

Lending to Borrowers of Different Income Analysis of Residential Real Estate Loans Originated and Reported on the HMDA-LARS between July 1, 1999 to December 31, 2002 By Number and Dollar Amount ('000)																
Income Level	Low-Income Families				Moderate-Income Families				Middle-Income Families				Upper-Income Families			
Income Characteristic of Borrowers-% of families within each tract category	18%				19%				24%				39%			
Loan Type	#	%	\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Home Purchase Loans	12	4%	531	2%	32	10%	1825	6%	35	11%	2868	10%	186	57%	19109	68%
Refinance Loans	2	0.5%	36	0	8	2%	436	1.5%	7	2%	467	2%	20	6%	1829	7%
Home Improvement Loans	2	0.5%	14	0	6	2%	107	0.5%	5	1%	41	0%	14	4%	869	3%

While the bank’s residential lending shows a weak pattern of distribution at 5% and 14% for low- and moderate-income families, respectively, the demographic data shows that many are renters and do not own homes. This limits the bank’s lending opportunities. In particular, the data shows 20% of the 37% low- and moderate-income families residing in the assessment area occupy rental units. The high penetration of the upper-income families reflects the bank’s lending to non-owner occupied residents (investors), which reflects the bank’s strategy of business lending.

Although INB participates in the county’s SHIP program, which offers low cost real estate mortgages that specifically target low- and moderate-income individuals, this program has not been as successful as planned.

Our sample of business loans, originating in INB’s assessment area, noted all original loan balances were less than \$1million. A more detailed analysis on a sample of 25 business loans shows that on 19 (76%), the borrowing entity had gross revenues under \$1 million. The following chart shows a breakdown of loans according to loan size.

Loan Size	# of Sampled Loans	% of Sampled Loans
0-100,000	19	76%
100,001-250,000	4	16%
250,001-500,000	2	8%
500,000-1,000,000	0	0%

- **Geographic Distribution of Loans - Need to Improve Performance**

Although the lending opportunities are limited in the low- and moderate-income census tracts, the bank needs to improve its lending penetration.

Using the same sample as indicated in the above performance category, we analyzed the geographic distribution of residential loans. The table below reflects that residential lending opportunities are limited, at 1% and 8%, for low- and moderate-income census tracts, respectively. Comparatively, INB’s lending pattern reflects only 2% penetration in the moderate-income census tract.

Geographic Analysis of Loans Residential Real Estate Loans Originated and Reported on the HMDA-LARS between July 1, 1999 to December 31, 2002 By Number and Dollar Amount ('000)																
Census Tracts	LOW				MODERATE				MIDDLE				UPPER			
Demographic Data by Income Level of Tract -% of Owner Occupied Housing Units	1,064 (1%)				8,579 (8%)				73,443 (78%)				11,481 (13%)			
Loan Type	#	%	\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Home Purchase Loans	0	0%	0	0%	1	0%	110	0%	206	63%	17,450	62%	58	18%	6773	24%
Refinance Loans	0	0%	0	0%	2	1%	185	1%	23	7%	1,741	6%	11	3%	776	2%
Home Improvement Loans	0	0%	0	0	2	1%	215	1%	18	5%	403	2%	8	2%	479	2%

Relative to small business lending patterns, the table below again reflects limited opportunities in the low- and moderate-income census tracts (1% and 6%, respectively). INB shows no loans extended in these census tracts. In addition, INB's four offices are all located in middle-income census tracts.

Opportunities are much more available in the middle- and upper-income census tracts. The table below shows the bank extended 80% and 93% of its business loans, (in both number and dollars) respectively, to businesses located or operating in middle-income census tracts. By comparison, these census tracts account for 79% of all businesses within the assessment area. Likewise, lending to upper-income census tract businesses also show a similar pattern of distribution as shown in the chart above.

Geographic Analysis of Sample of Business Loans Originating between July 1, 1999 to December 31, 2002 By Number and Dollar Amount ('000)																
GEORGRAPHY	LOW				MODERATE				MIDDLE				UPPER			
Business Demographic Data by # and %	102 1%				895 6%				10,580 79%				1,937 14%			
Loan Type	#	%	\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Business Loans	0	0%	0	0%	0	0%	0	0%	20	80%	1,674	93%	5	20%	133	7%

Responses to Complaints

There were no CRA related complaints received by the bank or our office during the period of review.

Fair Lending or Other Illegal Credit Practices Review

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