



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 25, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Summit Bank, National Association
Charter Number 24833

101 West 23rd Street
Panama City, FL 32405-0000

Office of the Comptroller of the Currency

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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.

Summit Bank, National Association (Summit Bank) has a satisfactory rating of meeting community credit needs. This rating is based on the following:

- A substantial majority of loans are extended within their assessment area.
- The loan-to-deposit ratio is reasonable based on the performance context and lending opportunities within its assessment area.
- The geographic distribution of loans reflects a reasonable dispersion within the assessment area.
- The distribution of loans demonstrates a reasonable penetration among businesses of different sizes.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of Summit Bank’s ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. Conclusions regarding the bank’s lending performance are based on residential real estate and commercial loans originated from April 8, 2008 through January 31, 2011. Due to the high volume of commercial lending and the low level of residential loans, more weight was given to performance in lending to commercial businesses.

DESCRIPTION OF INSTITUTION

Summit Bank is a \$101 million bank which serves the Panama City-Lynn Hall MSA. Summit Bank opened in April 2008 as a de novo bank offering a full range of loan and deposit products. The bank’s main office is located in Panama City with an additional branch opened in Pensacola, Florida in 2009. The following chart reflects the distribution of the loan portfolio as of December 31, 2010.

Loan Category	\$ (000)	%
Residential Real Estate Loans	8,787	15.62
Commercial Real Estate Loans	27,782	49.38
Consumer Loans	3,515	6.25
Commercial & Industrial Loans	15,342	27.27
Agricultural Loans	833	1.48
Total	56,259	100.00%

There are no legal impediments or other factors that inhibit the bank’s ability to meet the credit needs of the community. This examination represents the first CRA Examination since the bank opened April 8, 2008 with no prior CRA ratings assigned.

DESCRIPTION OF ASSESSMENT AREA

Summit Bank has designated the entire Panama City-Lynn Haven MSA as their primary assessment area (AA). Located in northwest Florida, Bay County makes up the Panama City – Lynn Haven MSA and includes the cities of Panama City and Lynn Haven. Based on the 2000 Census Bureau median family income of \$43,088, there is one census tract classified as low-income, ten as moderate-income, twelve as middle-income and six are classified as upper-income. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any areas, particularly low- and moderate-income geographies.

Competition for financial services within the 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. The bank's deposits in the Panama City MSA as of June 30, 2010 totaled \$58 million and ranked as the eleventh largest commercial bank out of 18 banks in the area with a 2.42 percent market share.

Panama City's economy is based on tourism as well as government and service industries. The largest employer in the AA is Tyndall Air Force Base which has provided a stable source of jobs and income for the area. However, several companies in Panama City have closed recently, including Sallie Mae which employed approximately 600 people. During 2010 the local economy was also severely impacted by the oil spill in the Gulf of Mexico which affected tourism during the peak of the summer season. However, the overall outlook for the economy remains somewhat positive for the future mainly due to projected improvement in the area's service based industry resulting from an increase in tourism in 2011. Bay County is expected to continue to grow as companies look to locate near the new international airport and is positioned to be the transportation center for all of northwest Florida with its port and the new airport. However, major challenges include a shortage of affordable housing for low- and moderate-income households.

Like most other cities/counties in Florida, Panama City experienced a booming real estate market that dramatically increased home and land prices, as well as market based rents prior to the bank opening in 2008. However, due to economic conditions, sub-prime lending, and inflated property values, home prices have drastically decreased and the foreclosure rates significantly increased. Economic conditions remain stagnant in the assessment area with limited sales of residential property other than higher valued homes. Unlike home prices, market rents increased and have not lowered.

Contact by the OCC with a local governmental agency identified affordable housing programs for first time home buyers and low- and moderate-income families as a continued credit need in the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	40,653
Number of Households	59,594
<i>Geographies</i>	
Number of Census Tracts	29
% Low-Income Census Tracts	3.45%
% Moderate-Income Census Tracts	34.48%
% Middle-Income Census Tracts	41.38%
% Upper-Income Census Tracts	20.69%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$43,088
2010 HUD-Adjusted MFI	\$53,800
<i>Economic Indicators</i>	
Unemployment Rate (2000) Census	2.27%
Unemployment Rate (December 31, 2010) www.fdic.gov	11.6%
2000 Median Housing Value	\$89,146
% of Households Below Poverty Level	12.69%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank has demonstrated satisfactory performance in meeting the credit needs of the community. The following sections provide detail of our assessment of each performance criteria.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of Summit Bank is reasonable given the bank’s size, financial condition, and assessment area credit needs. The loan-to-deposit ratio is comparable to other banks headquartered in the assessment area. Summit Bank’s quarterly loan-to-deposit ratio since the bank opened averaged 82.21%. The average loan-to-deposit ratio of banks within the assessment area, regardless of size during the same time period was 78.13%.

Institution	Assets (000s) (as of 9/30/10)	Average LTD Ratio
Summit Bank, National Association	93,100	82.21%
Bay Bank and Trust Co.	231,347	63.75%
First National Bank Northwest Florida	121,958	74.21%
Vision Bank	838,024	96.45%

Lending in Assessment Area

A substantial majority of the bank’s lending activity is located within the assessment area. Our review focused on the bank’s primary product lines which include commercial and residential real estate loans. We reviewed a sample of 20 residential real estate and 20 commercial loans to determine the bank’s lending within its assessment area. This sample revealed approximately 90% of both the number and dollar amount of loans were extended in the assessment area. The breakdown by loan category is illustrated below:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	18	90.00%	2	10.00%	20	\$4,389	85.24%	\$760	14.76%	\$5,149
Commercial	18	90.00%	2	10.00%	20	\$9,516	91.80%	\$850	8.20%	\$10,366
Totals	36	90.00%	4	10.00%	40	\$13,905	89.62%	\$1,610	10.38%	\$15,515

Source: HMDA, Loan Sample.

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

Summit Bank’s overall distribution of loans by borrower income level is poor and needs to improve given the demographics of the bank’s assessment area. Approximately 38% of the families in the assessment area are considered low or moderate-income. However, only 5% of the bank’s residential loans were made to a low or moderate-income family. However, we did note that the median cost of housing is \$89 thousand while a low-income person earns less than \$27 thousand based on the HUD updated 2009 median family income. Additionally, 13% of the households in the assessment area live below the poverty level and unemployment is high at 11.6% as of December 2010. Community contacts also noted economic conditions have significantly impacted the area with little movement in housing stock. One contact noted the need for more affordable housing with the average sales price of homes over \$200 thousand. Furthermore, the bank opened as a de novo bank in 2008 during the height of the real estate market crash. Properties in the Florida panhandle were overvalued and have seen significant decreases in value during the last three years. Residential property sales have been very stagnant in the area with little movement in any properties outside higher income homes. We considered these mitigating factors in our lending analysis to low and moderate-income borrowers.

The distribution of residential loans by borrower income level represents a poor penetration to borrowers of different income levels. The percentage of loans to low and moderate-income borrowers is below the percentage of low and moderate-income families and reflective of the factors noted above.

Borrower Distribution of Residential Real Estate 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
Home Purchase	19.46	10.00%	18.07%	0.00%	22.04%	5.00%	40.43%	85.00%

Source: Loan Sample; U.S. Census data.

The distribution of loans to businesses reflects a reasonable penetration. Approximately thirty three percent of businesses do not report their revenues; therefore the percentage of businesses by income level may not accurately reflect a true percentage in each income category. Our sample of business loans inside the assessment area revealed a majority of the bank’s business loans were to businesses with revenues less than \$1 million.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63.19%	3.68%	33.13%	100.00%
% of Bank Loans in AA by #	65.00%	35.00%	0.00%	100.00%
% of Bank Loans in AA by \$	59.03%	40.97%	0.00%	100.00%

Source: Loan sample, Dun and Bradstreet data.

Geographic Distribution of Loans

Summit Bank has an overall reasonable dispersion of loans within the assessment area. The bank’s assessment area has one low-income tract, ten moderate-income tracts, twelve middle-income tracts and six upper-income tracts. The percentage of loans in our sample is below the percentage of owner occupied residences in the moderate-income tracts.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	1.02%	0.00%	19.70%	5.00%	56.31%	35.00%	22.98%	60.00%

Source: Loan Sample; U.S. Census data.

However, our sample revealed the percentage of loans to businesses in moderate-income tracts is more than the percentage of businesses in these tracts.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.76%	0.00%	28.62	40.00	49.44	20.00	21.18	40.00

Source: Loan sample; Dun and Bradstreet data.

Responses to Complaints

Summit Bank has not received any CRA related complaints during the assessment period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.