

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

March 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Florida
Charter Number 23498
1150 Cleveland Street
Clearwater, FL 34615**

**Office of the Comptroller of the Currency
Pittsburgh Field Office
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146**

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 of Florida** prepared by **the Office of the Comptroller of the Currency** as of March 29, 1999. 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*.

The rating is based on the bank's substantial lending within its assessment area and the strong record of lending to borrowers of different incomes and small businesses of different sizes. The bank is reporting a reasonable average loan-to-deposit ratio and loan penetration of the assessment area. In addition, the bank is committed to supporting community development activities to meet the credit needs of the community.

DESCRIPTION OF INSTITUTION

First National Bank of Florida (FNBFL) is a locally managed commercial bank with twelve offices servicing Pinellas County. The bank is a wholly-owned subsidiary of F.N.B. Corporation, a multi-bank holding company located in Hermitage, Pennsylvania. FNBFL comprises three former community banks: Citizens Bank & Trust, Indian Rocks National Bank (f/k/a Indian Rocks State Bank) and Seminole Bank. The main office is located in Clearwater with the other eleven offices located throughout Pinellas County. The bank offers automated teller machine (ATM) access at nine locations with two of these locations offering drive-up features. As a result of the merger, commercial and commercial real estate loans now account for about 63% of the total loan portfolio and is expected to increase to 90%, residential mortgages represent 31% of total loans. The bank offers a variety of lending products that include consumer loans, small business loans and residential mortgage products; however, the focus going forward will be on small business lending. In January 1999, the bank started a residential lending department that offers different types of residential products to the community. These loans will be sold to secondary market investors.

As of March 31, 1999, the bank had total assets of approximately \$312 million with net loans accounting for 71% of total assets. There are no financial or regulatory constraints that would prevent the bank from meeting the credit needs of the community.

The period for this evaluation is October 1998 through March 1999. FNBFL was evaluated as a *small bank*. Due to the guidelines and timeframes for CRA data collecting and reporting, FNBFL, as a result of the recent merger of three banks, would not have had sufficient data for a large bank evaluation.

DESCRIPTION OF THE ASSESSMENT AREA

First National Bank of Florida's assessment area includes the cities of Clearwater, Dunedin, Belleair, Palm Harbor, Largo, Indian Rocks Beach and Seminole which are primarily located in the north and central sections of the county. The assessment area is located in the Tampa-St. Petersburg Metropolitan Statistical Area (MSA #8280).

Pinellas County is the most densely populated county in Florida and ranks fifth in population out of the 67 counties in the state. Pinellas County has experienced increasing growth in the last 15 years and as of 1997, the population was close to one million residents. Tourism is Pinellas County's largest industry, bringing in two billion dollars annually and employing more than 20 percent of the workforce. Total visitors to Pinellas County tops over 4.1 million annually. This industry, along with retirement income, retailing and services comprise the county's primary economic sectors. Major employers in Pinellas County include Danka Business Systems, Florida Progress Corporation and Tech Data Corporation. The Tampa Bay region, which includes Pinellas County, has been ranked by *INC* magazine as the 7th most favorable climate for small business in the United States.

The bank's assessment area comprises one hundred and twenty seven (127) census tracts. All of the census tracts are located in the Tampa-St. Petersburg MSA. Based on the 1990 census tract data, one census tract in the assessment area is classified as a low-income tract (0.79%), fifteen are moderate-income (11.80%), seventy are middle-income (55.12%) and forty are upper-income tracts (31.50%). The bank is also reporting one census tract in Clearwater (260.99) in which there are no tract characteristics as the tract comprises vacant land. As such, the assessment area meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies.

The current demographic characteristics of the assessment area include: 82% of the population is between the ages of 16-65 years of age, 65% receive a wage/salary, 60% own homes and 64% of the households in the assessment area are families. The Department of Housing and Urban Development (HUD) estimates the 1998 MSA's median family income at \$42,000 for the Tampa-St. Petersburg MSA. Based on this income, 14.5% of the families in the assessment area are classified as low, 18.5% moderate, 24% middle and 43% upper-income.

Contact by banking regulators with local-based organizations in Pinellas County identified the following credit needs for the assessment area: (1) continued investments for affordable housing efforts; and, (2) credit education and counseling services for low-income consumers in the areas of maintaining deposit accounts, managing finances and applying for loans. The banking sector within the assessment area is very competitive in Pinellas County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank's average loan-to-deposit ratio is reasonable at 78.49% considering the bank's recent merging activity and favorable ratios in comparison to peer averages. Due to the timing of this review, our data was limited to comparisons of fourth quarter 1998 local and peer averages only.

As of 12/31/98, FNBFL is reporting slightly higher loan-to-deposit ratios than local (Pinellas County banks with total assets exceeding \$250 million) and national peer group averages which were reported at 72.66% and 72.44%, respectively.

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

A substantial portion of the lending occurs within the assessment area. Our review found a majority of the residential real estate loans the bank originated over the past six months are in the bank's assessment area. We reviewed 100% of the bank's fourth quarter 1998 and first quarter 1999 Home Mortgage Disclosure Act Loan Application Registers (HMDA/LARs). This included 54 loans with an aggregate value of \$3.4 million. Our review of the HMDA LARs

found that 85% or 46 residential mortgage loans with an aggregate value of \$3 million were originated in the bank's assessment area. In addition, 93% of the total number and 90% of the total dollar volume of business loans originated during January and February 1999, were located within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes - Exceeds the Standard for Satisfactory Performance

The lending distribution to low- and moderate- income borrowers is strong. Approximately 14.5% of the families residing within the assessment area are classified low-income. In contrast, 17% of the bank's residential loans were to low-income borrowers. Additionally, 18.5% of the families residing within the assessment area are classified moderate-income. The bank's lending to moderate-income families again exceeds the moderate-income family population in the assessment area. Likewise, lending to middle- and upper-income families also shows a similar pattern of distribution. The distribution of this lending is outlined in the chart below.

REAL ESTATE LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA		
Income Characteristic of Borrowers	#	\$
Low	17%	16%
Moderate	20%	14%
Middle	13%	8%
Upper	50%	62%

Prior to the 10/9/98 merger, all three banks were active members with the Tampa Bay Community Reinvestment Corporation (TBCRC). The TBCRC is a nonprofit banking consortium established to provide financial resources for affordable housing developments in the area. Thirty-seven financial institutions comprise the TBCRC with each participating in the financing of the development projects. The guidelines for TBCRC projects require 51% of the multifamily rental units and single family housing units be reserved for and occupied by low- or moderate-income households. FNBFL remains active in this consortium and as of 3/31/99 the bank reported participating in 22 loans with outstanding balances at \$696,175. The initial aggregate loan amounts total approximately \$35 million.

The bank's lending to businesses of different sizes, particularly to small businesses, is good.

Economic data indicates that 75% of businesses in the assessment area have revenues less than \$1 million and 8% of business have revenues in excess of \$1 million (revenue information was unavailable for the remaining 17% of businesses). We reviewed the bank's business loans originated for the periods of January and February 1999. Revenue information was not readily available for these loans. Therefore, the amount of the loan was used as a proxy for the size of the business. The review noted only one out of the forty-three loans with an original amount in excess of \$1 million. The following chart shows a breakdown of the remaining loans:

FNBFL SMALL BUSINESS LOANS	
\$0 - \$100,000	18.8%
\$100,001- \$250,000	21.7%
\$250,001- \$500,000	13.8%
\$500,000- \$1,000,000	45.7%

Geographic Distribution of Loans - Meets the Standard for Satisfactory Performance

We tested the bank's performance in this area using our same sample of residential mortgage loans. This included 46 loans in the assessment area totaling \$3 million. The distribution of the sample is presented in the chart below.

REAL ESTATE LOANS ORIGINATIONS WITHIN THE ASSESSMENT AREA		
Census Tract Characteristics	#	\$
Low	0%	0%
Moderate	2%	1%
Middle	57%	51%
Upper	41%	48%

The geographic distribution of lending is reasonable. The bank did not originate any residential

loans in low-income census tracts. Families that reside in low- or moderate-income census tracts only comprise 0.28% and 9.97% of the bank's assessment area, respectively. There are 1,019 housing units within the low-income census tract, which represents .30% of total housing units in the assessment area. Owner-occupied units represent .15% of all owner-occupied housing within the assessment area. Moderate income housing represents 12.25% of total housing units, with owner-occupied units accounting for 9.86% of all owner-occupied housing within the assessment area. It should be noted that *total* housing units available or vacant within the assessment area is low at 16% and Pinellas County planners report only 8% of land is available for future development with 45,700 units slated for housing development. Due to the FNBFL's current business strategy to expand its current commercial market which includes small businesses, the bank does not offer many residential lending products that are traditionally attractive to this segment of the market. However, the bank services this segment of the community with their Residential Real Estate Loan Department the bank started in 1999 in which the bank will locate an investor that can offer a certain product that the bank does not. Additionally, there are several institutions and mortgage companies in the assessment area that do offer affordable loan mortgage products.

The geographic distribution of business lending is strong. Our loan sample shows the bank extended 28% and 9% of its commercial loans (in both number and dollars, respectively) to businesses located or operating in moderate-income census tracts. These census tracts account for 15% of all nonfarm business operations within the assessment area. Likewise, lending to businesses in middle and upper-income census tracts also shows a similar pattern of distribution as shown in the chart below. There was no lending by FNBFL to businesses located in the low-income census tracts; however, based on economic data, there are no businesses located within the low-income tract in the bank's assessment area.

COMMERCIAL LOAN ORIGINATIONS WITHIN THE ASSESSMENT AREA		
Census Tract Characteristics	#	\$
Low	0.00%	0.00%
Moderate	28%	9%
Middle	44%	... 18%
Upper	28%	73%

Response to Complaints

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

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

Our Fair Lending review disclosed no violations of the substantive provisions of anti-discrimination laws and regulations. The Fair Lending examination only focused on residential mortgage lending.