



Small Bank Performance Evaluation

PUBLIC DISCLOSURE

March 31, 1999

**COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION**

Citizens & Peoples Bank, N.A.
Charter Number 23416

201 North Palafox Street
Pensacola, FL 32501

Office of the Comptroller of the Currency

Southeast District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303

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 Citizens & Peoples, N.A. prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 31, 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 following:

- A substantial, majority of the loans were made in the bank's assessment area,
- C & P maintains a satisfactory loan to deposit ratio considering the bank's size and resources in relation to other financial institutions in the assessment area.
- Lending patterns indicate satisfactory distribution of loans to businesses of different sizes.
- The geographic distribution of loans reflect reasonable penetration throughout the assessment area.

The following table indicates the performance level of Citizens & Peoples Bank, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Citizens & Peoples Bank, N.A. 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	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Citizens & Peoples Bank, N.A. (C & P) is a \$40 million community bank located in Pensacola, Florida. The bank is a wholly owned affiliate of Alabama Bancorporation, a multi bank holding company headquartered in Birmingham, Alabama. The bank operates two full service offices, a main office in downtown Pensacola and a branch location in nearby Cantonment, FL. C & P offers a variety of products including real estate, consumer, and commercial loans and various deposit accounts. The loan mix based on 12/31/98 Call Report is as follows:

Loan Type	Dollar Amounts in (000's)	% of Loan Portfolio
Consumer Real Estate	2,687M	20%
Consumer	1,228M	09%
Commercial	4,044M	30%
Commercial Real Estate	5,544M	41%
Total	\$13,503M	100%

C & P is in sound financial condition with no legal impediments which would prevent it from meeting the credit needs of the community. However, the bank has been in existence for less than two years. Therefore, C & P is rather limited in its ability to cover the entire assessment area in comparison to much larger and more established competitors in the local area. This public evaluation serves as the bank's first CRA performance rating. Information obtained from bank reports were analyzed and reviewed for accuracy.

DESCRIPTON OF ASSESSMENT AREA

The bank's assessment area (AA) consists of the Pensacola metropolitan statistical area (MSA 6080) which includes Escambia and Santa Rosa counties. The MSA contains 6 low income, 12 moderate income, 34 middle income, 10 upper income and 5 other (military areas) census tracts. The weighted average median family income for the MSA is \$38,800. C & P's AA meets all legal requirements set forth by the CRA regulation and does not arbitrarily exclude any low- or moderate- income areas.

Based on the 1990 census the total population for the MSA is approximately 344,406. The economic base is centered in government, tourism, military and private service industries. Major employers in Escambia County are: Pensacola Naval Air Station and related training facilities such as Saufley Field, Corry Station and NAS Whiting Field. The largest employers in Santa Rosa County are: Raytheon Airspace Support Services and the government and military sector. The local economy is considered to be good due to the secure military presence and tourist markets and renewed focus on diversifying into new industries. The unemployment rate for the Pensacola MSA was 4.1% as of the second quarter of 1998 compared to the state of Florida average of 4.3%.

There are 15 banks and several credit unions which operate in the assessment area including branches of the largest regional financial institutions. As stated above, this bank is relatively small in comparison to other institutions throughout the entire assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio (LTD)

- C & P's loan to deposit ratio (LTD) is reasonable and meets the standards for satisfactory performance.

The bank's quarterly LTD ratio between 9/30/97 and 12/31/98 averaged 39%. During this time frame, the bank's LTD is trending upwards from a low of 23% (9/97) to a high of 52% (6/98). As of 12/31/98, the bank's LTD ratio ranked nationally and locally in the lower percentiles. The lower loan to deposit ratio is reflective of the bank's newness, its relatively smaller size, and lack of offices in the majority of the assessment area, details of which are explained in the description section of this evaluation.

Comparison of Credit Extended Inside and Outside of the Bank's Assessment Area

- A substantial majority of both dollar amount and number of loans are made to borrowers within the bank's assessment area.

The review of small business lending and a sample of consumer loans made during the first two months of 1999 reflected that all of the consumer loans were originated in the assessment area. In addition, all but two small business loans were within the assessment area.

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

- The distribution of loans to businesses of different sizes meets standards for satisfactory performance. However, lending to borrowers of different incomes is less representative of the demographics of the AA.

C & P's primary lending focus to date has been in commercial lending which represent 71% of the total loan portfolio. The distribution of loans to small businesses (gross revenues less than \$1 million) is good. Of the 61 business loans made, 42 or 69% were made to small businesses. The number of small business loans made is representative of the assessment area's business loan demographics of 76%. However, the dollar amount of small business loans represents only 47%. Loans to large businesses typically have higher dollar amounts and are made through participations with the lead bank of the holding company.

Business Loans

	# Small Bus.Lns	#.of Bus. Lns	% of Small Bus.	\$ AMOUNT	% of \$ AMOUNT
1990 Census Report	10,044	13,221	76%	NA	NA
Bank Originations	42	61	69%	\$4,650,000	46%

Source: CRA WIZ Business Demographic Data (from 1990 Census Report) and Bank Reports

Information regarding the bank's distribution of consumer loans by borrower's income level based on reports for loans made from 1/97 to 9/98 is detailed below. Income levels are categorized based on the Department of Housing and Urban Development's (HUD) estimates of median family income for the Pensacola MSA 6080 which is \$38,800. For comparison purposes, this evaluation compared the bank's lending to the percentage of families in assessment areas from 1990 census data.

Consumer Loans made between 1/99 and 2/99

Loan Originations	% of Families by Income	# of Loans	% of Total	\$ of Loan in (000's)	% of Total
Low-Income	20.5%	2	12.5%	\$34	5%
Moderate-Income	18.1%	2	12.5%	\$12	2%
Middle-Income	21.9%	4	25.0%	\$51	8%
Upper-Income	39.5%	8	50.0%	\$573	85%
Total	100%	16	100%	\$670	100%

Source: CRA Wiz Census Data and Internal New Loan Reports.

Based on a sample of new loans shown in the above data, the bank's consumer lending was less representative in lending to low- and moderate- income borrowers in comparison to the demographics of the AA. In addition, a review of the Home Mortgage Disclosure Act - Loan Activity Register (HMDA-LAR) for 1998 reflected no loans to low- or moderate- income borrowers. However, as mentioned earlier in this evaluation, C & P is not nearly as well established in the assessment area as the competition due to its small size and short existence.

Geographic Distribution of Loans

- ◆ The geographic distribution of loans reflect reasonable penetration in the assessment area, particularly in the primary focus area of small business lending.

Geographic Distribution of Small Business Loans

Origination	% of Total Census Tracts	# Of Loans in Census Tract	% of Total	\$ of Loans in AA (000's)	% of Total
Low-Income (6)	8.96%	17	40.5%	\$1,679	32.6%
Moderate (12)	17.91%	3	7.1%	\$608	11.8%
Middle-Income (34)	50.75%	17	40.5%	\$2,048	39.7%
Upper-Income (10)	14.93%	3	7.1%	\$531	10.3%
Other (NA) (5)	7.46%	*2	4.8%	\$292	5.6%
Total (67)	100%	42	100%	\$5,158	100%

*Totals include 2 loans totaling \$292M originated outside of the bank's assessment area.

The above illustration reflects a good distribution of small business lending in low- and moderate-income tracts. Small business lending in these tracts were 48% and exceeds the percentage of low- and moderate-income tracts in the assessment area. A number of the low-and moderate- income tracts are centered in commercial and industrial areas.

Geographic Distribution of Loans made from 1/99 to 2/99

Origination	% of Total Census Tracts	# of Loans in Census Tract	% of Total	\$ of Loans in AA (000's)	% of Total
Low-Income (6)	8.96%	6	19%	\$366	22%
Moderate (12)	17.91%	0	0%	\$0	0%
Middle-Income (34)	50.75%	16	52%	\$633	38%
Upper -Income (10)	14.93%	7	23%	\$664	39%
Other (NA) (5)	7.46%	2	6%	\$12	1%
Total (67)	100%	31	100%	\$1,675	100%

Source: A sample of all loans made between 1/1/99 and 2/28/99

The distribution of loans in low- income tracts exceeds the percentage of low- income tracts in the assessment area. However, the sample revealed no loan penetration in moderate- income tracts. Also, the review of HMDA related loans for 1998 reflected no loan penetration in the low- and moderate- income tracts. There are several mitigating factors for lack of residential loans in the low- and moderate- income census tracts. A significant number of low- and moderate- income tracts contain a high percentage of rental and vacant housing units resulting in lower overall owner occupied units which limits residential lending opportunities. Other mitigating factors include: C & P is a relatively new bank with a limited

number of offices; and, the bank's offices are not as readily accessible to many low- and moderate- income census tracts as opposed to larger branch networks of competing financial institutions.

Response to Complaints

- No complaints were received from the public since the prior examination.

Results of Fair Lending Review

- Our fair lending review did not identify evidence of disparate treatment or violations of antidiscrimination laws and regulations. The bank has policies and procedures in place which provide satisfactory guidance on fair lending requirements.