

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

May 3, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Osceola County
Charter Number 21730**

**920 N. Bermuda Avenue
Kissimmee, FL 34741**

**Office of the Comptroller of the Currency
North Florida Field Office
8382 Baymeadows Road, Suite 1
Jacksonville, FL 32256**

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 the **First National Bank of Osceola County** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 3, 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.

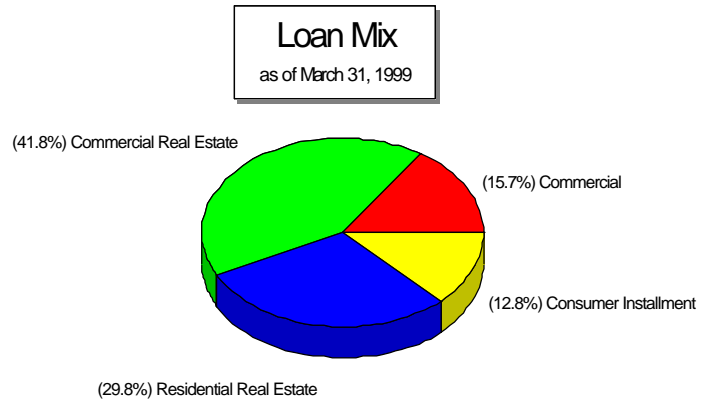
The First National Bank of Osceola County maintains a reasonable loan-to-deposit ratio. A majority of the bank's loans are originated within its assessment area and the bank has a reasonable distribution of loans to borrowers of different incomes and to businesses and farms of different sizes. The bank's loans are also reasonably dispersed across all geography types (i.e., low-, moderate-, middle-, and upper-income) within the bank's assessment areas. The bank has not received any consumer complaints or public comments relative to CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Osceola County (FNBOC) is an independent community bank chartered in September 1989. The main office is located in Kissimmee, Florida with two other branch offices located in Osceola County (St. Cloud and Poinciana) and one additional branch located in Orange County (Ocoee).

As of March 31, 1999, FNBOC had total assets of \$113 million. As illustrated in the graph to the right, the bank's primary lending focus is on commercial and commercial real estate loans which, combined, make up nearly 58% of the bank's total loans.

There are no financial, legal, or other impediments to the bank's ability to meet community credit needs. The evaluation period for this review is June 1996 to May 1999.



DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. FNBOC's assessment area consists of the entire Osceola County and a portion of Orange County, both of which are part of the Orlando, Florida Metropolitan Statistical Area (MSA) 5960. There are a total of 40 census tracts contained within the assessment area. These census tracts are comprised as follows:

| | |
|------------------------|----|
| Low-income Tracts | 1 |
| Moderate-income Tracts | 10 |
| Middle-income Tracts | 24 |
| Upper-income Tracts | 5 |

The MSA's median family income (HUD estimated) for 1998 is \$44,500. Approximately 40% of the total families within the MSA are considered low- and moderate-income families. Major industries in the MSA include: tourism, service, communications, and aerospace. Kissimmee and its surrounding communities have a significant number of hotels, retail, and service-oriented businesses whose success is tied to the tourism industry. The single largest employer in the area is Walt Disney World, which employs approximately 36,000 people. Universal Studios and Sea World are the second and third largest employers, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

FNBOC’s loan-to-deposit (LTD) ratio is reasonable. The bank’s average LTD ratio since the last CRA examination is 64%. This is reasonable compared to other local banks of similar size in which the loan-to-deposit ratio ranged between 53% and 89% as of 12/31/98, and averaged 66% during the same evaluation period. The national average LTD ratio for similar-sized banks is 69%.

- **Lending in Assessment Area - Meets the Standard for Satisfactory Performance**

The bank makes a majority of its loans within its assessment area. This conclusion is based on an analysis of all residential mortgage-related loans originated between January 1996 and April 1999. The results of our analysis are reflected below:

| % of Total Loans Originated in Assessment Area | 1996 | | 1997 | | 1998 | | 1999 YTD | |
|--|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume |
| | 80% | 80% | 74% | 70% | 81% | 75% | 96% | 93% |

In addition, because the bank makes primarily commercial loans, we performed an analysis of the distribution of these loans. Our sample for this analysis consisted of twenty commercial real estate loans originated since January 1996. The results of our sample show that the bank originated 90% of the number of these loans, or 82% of the dollar volume of these loans, within its assessment area.

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

The bank’s record of lending to borrowers of different incomes is reasonable given the demographics of the community. Our analysis of lending to borrowers of different incomes used the same sample of residential mortgage loans mentioned in the previous performance criteria. We compared the income distribution of the bank’s borrowers to the income distribution of families within the assessment area using the 1998 median family income levels. Our analysis indicates that 37% of the bank’s residential mortgage loans made between January 1996 and April 1999 were to low- or moderate-income borrowers. In comparison, 40% of the families residing in the assessment area are low- or moderate-income. The distribution among all income levels is summarized in the charts on the following page.

| FNBOC Residential Mortgage-related Loan Distribution | | | | | | | | |
|--|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| Income Level | 1996 | | 1997 | | 1998 | | 1999 YTD | |
| | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume |
| Low | 6% | 2% | 11% | 6% | 14% | 4% | 19% | 4% |
| Moderate | 24% | 18% | 24% | 16% | 28% | 22% | 16% | 10% |
| Middle | 32% | 26% | 29% | 29% | 18% | 16% | 19% | 8% |
| Upper | 38% | 54% | 36% | 49% | 40% | 58% | 46% | 78% |

| Income Level | 1996 to 1999 YTD Combined | | Families within Assessment Area |
|--------------|---------------------------|---------------|---------------------------------|
| | Number of Loans | Dollar Volume | |
| Low | 12% | 4% | 19% |
| Moderate | 25% | 18% | 21% |
| Middle | 24% | 21% | 25% |
| Upper | 39% | 57% | 35% |

The bank has a good record of lending to businesses of different sizes. Using the same sample of commercial real estate loans mentioned in the previous performance criteria, we determined that the bank makes a majority of its business loans to small businesses of various sizes. This is reflected in the following chart.

| Total Annual Revenue | Percentage of Total Business Loans Sampled | |
|--------------------------------|--|---------------|
| | Number Loans | Dollar Amount |
| < \$50 thousand | 6% | 5% |
| \$50 - \$499 thousand | 61% | 59% |
| \$500 - \$999 thousand | 17% | 9% |
| < \$1 million (Small Business) | 84% | 73% |
| > \$1 million (Large Business) | 16% | 27% |

Our loan sample illustrates that the bank extends 84% and 73% of its commercial real estate loans (in both numbers and dollars, respectively) to small businesses, i.e., businesses reporting total annual revenues less than \$1million. In comparison, economic data indicates that small businesses comprise 73% of all nonfarm businesses within the assessment area.

- **Geographic Distribution of Loans - Meets the Standard for Satisfactory Performance**

The geographic distribution of loans reflects a reasonable penetration of geographies within the assessment area. The distribution of the bank’s loans in low-, moderate-, middle-, and upper- income census tracts is reasonable in comparison to the proportion and distribution of such tracts within the bank’s assessment area. This conclusion is based on the same residential mortgage-related loan sample used previously. The charts below summarize the distribution of our sample.

| FNBOC Residential Mortgage-related Loan Distribution | | | | | | | | |
|---|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| Census Tract Designation | 1996 | | 1997 | | 1998 | | 1999 YTD | |
| | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume | Number of Loans | Dollar Volume |
| Low | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Moderate | 14% | 11% | 7% | 11% | 14% | 6% | 4% | 10% |
| Middle | 70% | 74% | 78% | 38% | 74% | 80% | 88% | 8% |
| Upper | 16% | 15% | 15% | 51% | 12% | 14% | 8% | 78% |

| Census Tract Designation | 1996 to 1999 YTD Combined | | % of Owner-Occupied Housing within the Assessment Area by Tract Category |
|---------------------------------|----------------------------------|----------------------|---|
| | Number of Loans | Dollar Volume | |
| Low | 0% | 0% | 1% |
| Moderate | 11% | 8% | 15% |
| Middle | 76% | 72% | 67% |
| Upper | 13% | 20% | 17% |

The low level of the distribution within the low- and moderate-income census tracts can be explained by several factors. Most of these tracts are distant, i.e., ten to twenty miles, from the nearest FNBOC office location. Furthermore, the level of owner-occupied housing within these tracts is low. Approximately 73% and 52% of the housing units within the low- and moderate-income census tracts, respectively, are rental homes or vacant properties, which indicates less opportunities for this type residential lending.

Our analysis of the bank’s primary lending product, commercial real estate loans, shows that the bank extended 44% and 35% of these type loans (in both number and dollar volume, respectively) to businesses located or operating in low- and moderate- income census tracts. This compares quite favorably because these tracts contain only 22% of all nonfarm business operations within the assessment area.

- **Response to Complaints - Not Applicable**

There were no complaints relative to the Community Reinvestment Act during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

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