



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 18, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Polk County
Charter Number 22311**

**7722 E State Rd. 544
Winter Haven, FL 33881**

**Comptroller of the Currency
North Florida Field Office
8375 Dix Ellis Trail #403
Jacksonville, FL 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- First National Bank of Polk County's (FNBPC) average loan-to-deposit ratio is reasonable in comparison to similar-sized institutions.
- A substantial portion of residential real estate lending occurs within the assessment area.
- The lending distribution to low- and moderate-income borrowers is satisfactory given the demographics of the community.
- The geographic distribution of residential lending pattern is reasonable and reflective of office locations.

DESCRIPTION OF INSTITUTION

First National Bank of Polk County (FNBPC) was chartered in 1992 and is a locally owned and managed bank with four offices in Polk County, Florida. As of 2000, FNBPC became a subsidiary of Center State Banks of Florida, Inc., a multi-bank holding company located in Winter Haven, Florida with total assets of \$341,374 as of 12/31/01. The main office is located in Winter Haven, Florida. The other three offices are located in Haines City, Davenport and Lake Alfred. The bank offers automated teller machine (ATM) access at the branches, drive-up facilities and Internet banking. Additionally, the bank offers ATM/debit cards, which allows access from many locations throughout Florida and the country. FNBPC offers a variety of lending programs but generally its primary focus has been residential real estate loans, accounting for 65% of the total loan portfolio, and commercial and commercial real estate loans represent 30% of the loan portfolio.

As of September 30, 2002, the bank reported total assets of approximately \$104 million with net loans accounting for 58% 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 FNBPC was March 2, 1998 and the bank received a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

First National Bank of Polk County's assessment area consists of the northeastern section of Polk County and includes a portion of Winter Haven, and the communities of Haines City, Davenport, Lake Alfred, Lake Hamilton, Dundee, Loughman and Auburndale. The assessment area is located in the Lakeland-Winter Haven Metropolitan Statistical Area (MSA #3980). FNBPC's assessment area is comprised of nineteen (19) census tracts. All of the census tracts are located in Polk County and the Lakeland-Winter Haven MSA. Based on the 1990 Census Bureau median family income of \$28,966, there are four census tracts classified as moderate-income, fourteen are middle-income and one is classified as an upper-income tract. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Polk County is the fourth largest county in terms of area in the state and Haines City is fourth in population in Polk County. During the “season” from October through April, winter residents increase the population by another 20,000. Recent population shifts reflects a decline in the phosphate industries and an increase of manufacturing and distribution activities as well as an influx of retirees. Agriculture (citrus) remains the leading economic factor in the county. Major employers in the assessment area include Polk County School Board, Publix Super Markets and the Heart of Florida Regional Medical Center.

The Department of Housing and Urban Development (HUD) estimates the 2002 MSA’s median family income at \$47,000 for the Lakeland-Winter Haven MSA. Based on this income, 19.85% of the families in the assessment area are classified as low-, 22.25% moderate-, 24.55% middle- and 33.35% upper-income.

The following table highlights the demographic composition of the bank’s assessment area.

Demographic Information for Assessment Area: Part of Polk County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	19	0	21	74	5	0
Population by Geography	107,949	0	18	79	3	0
Owner-Occupied Housing by Geography	51,290	0	12.30	84.07	3.63	0
Business by Geography	6,629	0	16	81	3	0
Farms by Geography	313	0	8	90	2	0
Percentage of Families within each Tract Category	31,191	19.85	22.25	24.55	33.35	0
Median Family Income for 1990 US Census HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		28,966 47,000 13.22%	Median Housing Value Unemployment Rate (December 2001)		\$58,471 5.60%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 US Census and 2002 HUD updated MFI

COMMUNITY CONTACTS – Contact by the OCC and other banking regulators with local based organizations in Polk County identified the following credit related needs for the assessment area: (1) continued affordable housing programs for low- and moderate-income families; and, (2) small business loans.

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**

FNBPC's average loan-to-deposit ratio is reasonable in comparison to similar-sized institutions. The average loan-to-deposit ratio was calculated and averaged for each quarter since the last CRA exam in March 1998. We compared the bank's average ratio to those ratios of similarly situated Polk County banks with less than \$250 million in total assets. The loan-to-deposit (LTD) ratio for the last 18 quarters for three Polk County banks was calculated at 76.42%, which is slightly higher than the bank's LTD ratio of 63.54%. The bank's slightly lower ratio is mainly due to the high growth rate in deposits that have outpaced loan growth.

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

A substantial portion of residential real estate 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) in 1998, 1999, 2000, 2001 and first nine months of 2002. As detailed in the table below, 87% (by number) of all residential real estate loans reported on the HMDA-LARs were made to borrowers within the assessment area.

Assessment Area Lending								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	% of Number	\$000's	% of \$Amount	#	% of Number	\$000's	% of \$Amount
Residential Real Estate Loans	659	87%	31,439	84%	102	13%	6,102	16%

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

The lending distribution to low- and moderate-income borrowers is satisfactory given the demographics of the community. Our analysis is based on a random sample of residential real estate loans originated and reported on the HMDA-LARs during the evaluation period. Our sample of 60 residential loans includes twenty home purchases, twenty refinances and twenty home improvement loans. Our analysis did not include a review of small business loans as this is not a primary loan product for the bank. Although commercial and commercial real estate loans represent 30% of the total loan portfolio, approximately 50% of these types of loans consist of loans purchased and originated in an area outside of the bank's assessment area.

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 Loans Originated between January 1, 1998 to September 30, 2002 By Number and Dollar Amount ('000)																
Census Tracts	Low Income Families				Moderate Income Families				Middle Income Families				Upper Income Families			
Income Characteristic of Borrowers-% of families within each tract category	19.85%				22.25%				24.55%				33.35%			
Loan Type	#	%	\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Home Purchase Loans	2	10%	55	5%	4	20%	218	18%	7	35%	422	34%	7	35%	528	43%
Refinance Loans	1	5%	11	1%	5	25%	160	11%	3	15%	93	7%	11	55%	1,150	81%
Home Improvement Loans	3	15%	40	13%	6	30%	41	14%	7	35%	152	51%	4	20%	65	22%

The bank’s lending shows a reasonable pattern of distribution. Residential lending to low- and moderate-income individuals is limited. The majority of these individuals are renters and do not own homes as supported by demographic data of the county. In particular, the data shows 25% of the families in the assessment area occupy rental units. In addition, the bank offers low cost real estate mortgages that specifically target low- and moderate-income individuals.

• **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

The geographic distribution of residential lending pattern is reasonable and reflective of office locations. We compared the geographic distribution of loans originated to the level of owner-occupied housing within each geographic area as indicated in the table below. We focused on primary loan products, which did not include small business loans. We used the same loan sample as mentioned above. The number of owner-occupied housing reveals the opportunities available for residential real estate lending. The lower the level, the fewer opportunities are available for residential loans. In the four moderate-income census tracts in the assessment area, there are only 12.30% units denoted as owner-occupied.

Geographic Analysis of Loans Originated between January 1, 1998 to September 30, 2002 By Number and Dollar Amount ('000)																
Census Tracts	LOW				MODERATE				MIDDLE				UPPER			
Demographic Data by Income Level of Tract -# of Housing Units	0 (0%)				7,703 (12.30%)				41,757 (84.07%)				1,830 (3.63%)			
Loan Type	#	%	\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Home Purchase Loans	0	0%	0	0%	1	5%	43	4%	19	95%	1,180	96%	0	0%	0	0%
Refinance Loans	0	0%	0	0%	2	10%	72	5%	18	90%	1,342	95%	0	0%	0	0%
Home Improvement Loans	0	0%	0	0	2	10%	47	16%	18	90%	251	84%	0	0%	0	0%

- **Response to Consumer Complaints - Not Applicable**

First National Bank of Polk County has not received any complaints during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

An analysis of 1998-2002 years public comments and consumer complaints and 2000 HMDA information was performed according to the OCC's risk based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1998.