



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION SMALL BANK

**First National Bank of Northwest Florida
Charter Number: 18214**

**101 East 23rd Street
Panama City, Florida 32405**

**Office of the Comptroller of the Currency
Birmingham, Alabama Field Office
100 Concourse Parkway, Suit 240
Birmingham, Alabama 35244**

<p>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.</p>
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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 operations 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 Northwest Florida prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 6, 1998. 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 bank's performance under the Community Reinvestment Act meets the spirit and intent of the regulation. To determine the bank's performance, we utilized the march 31, 1998 Report of Condition, information furnished by the Bay County Chamber of Commerce, and other internally generated reports provided by FNB management. We base this rating on the following conclusions:

- ◆ The loan to deposit ratio is reasonable and exceeds that of the peer group average.**
- ◆ A substantial majority of lending activity is within the bank's assessment area.**
- ◆ The bank had demonstrated a satisfactory distribution of credits within the assessment area.**

The following table indicates the performance level of First National Bank of Northwest Florida with respect to each of the five performance criteria. [Indicate the performance level under each criteria by marking an “X” in the appropriate column. If the institution received no complaints since the prior examination, do not mark an “X” in a column, instead type over all three boxes “No complaints were received since the prior examination.”]

Small Institution Assessment Criteria	First National Bank of Northwest Florida 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 have been received since the prior examination		

DESCRIPTION OF INSTITUTION

FNB NW Florida is a two branch banking institution located in Panama City, Bay County, Florida. The bank is 100% owned by First Northwest Florida Holding Company, headquartered in Panama City. At June 30, 1998, the bank reported a net income of \$746,412 and total assets of \$86,402,127. The bank's capital base is solid with total capital plus the allowance for loan and lease losses at \$7,595,252. The bank financial position enables it to meet the credit needs of its local community.

The bank is primarily a commercial lender, specializing in Small Business Administration (SBA) lending. The bank originates SBA loans at the main office and three loan production offices within the state of Florida (Jacksonville, Gainesville, and West Palm Beach). The bank is one of the top ten SBA lenders in the state of Florida. The consumer portfolio is relatively small. A significant portion of the consumer lending is incidental to the bank's commercial lending activity. A look at the composition of the loan portfolio as of March 31, 1998 provides further indication of the bank's role as primarily a commercial lender. Data derived from information furnished in the bank's March 31, 1998 Report of Condition follows:

FNB NW FLORIDA LOANS OUTSTANDING AS OF MARCH 31, 1998		
Loan Type	(In 000's)	% of Portfolio
Construction and Land Development	294	0.5%
1-4 Family Residential	8,235	14.4%
Commercial and Industrial	2,943	5.2%
Consumer Loans to Individuals	1,065	1.9%
Commercial Real Estate	44,042	77%
Other Loans	561	1.0%
Gross Loans	57,140	100%

DESCRIPTION OF BAY COUNTY ASSESSMENT AREA

Panama City/Bay County is a metropolitan statistical area (MSA) and is located on the Gulf of Mexico in the panhandle region of northwest Florida. Panama City, the

county seat, is located approximately 100m miles from Tallahassee, 80 miles from Dothan, AL, 103 miles from Pensacola, 300 miles from Atlanta, 275 miles from Birmingham, AL, and 270 miles from Jacksonville. Panama City is well-known for its popular tourism attractions. Tyndall Air Force Base and the Naby's Coastal Systems Station are located in Bay Coutny and generate considerable revenues to the local economy.

The Bay County area has experienced significant growth in recent years. The population in 1977 was 144,584 and is projected for 158,200 by the year 2002. Leading economic factors include government, retail and wholesale trade services, and manufacturing. Employment figures through May 1998 show a current unemployment figure of 5.3% which is lower than the state average of 6.6%.

The Bay County MSA has approximately 48,791 households and 35,726 families. The 1990 census data reports a median family income of \$37,200. There are a total of 26 census tracts in the Panama City assessment area. As stated earlier, the population of Bay County is 126,994. The median housing cost for Bay County is \$62,308. The weighted average year of the homes bulit is 1975.

The bank operates in a very competitive banking environment. Bay County has a total of 11 banks and thrifts with 43 branches. Five banks are part of large regional bank holding companies. The bay County Chamber of Commerce estimates total deposits for banks and thrifts at \$1.181 billion. Additionally, there are seven credit unions with 17 offices and a deposit base of \$486,578,089, creating a total deposit base in excess of \$1.6 billion dollars. This indicates the bank operates in a very competitive environment.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

- o The loan to deposit ratio is reasonable.**

The average loan to deposit ratio since the last CRA examination at March 1995 is 65.45%. The actual loan to deposit ratio as of June 30, 1998 is 76.58%. The loan to deposit ratio has stadily increased over the past several years. The bank's loan to deposit ratio compares favorably with that of the local market and the national peer group average of 69.38% at March 31, 1998.

Lending in the Assessment Area

- o The bank makes a substantial majority of its loans within its' assessment area.**

During 1997, the bank made a total of 274 loans. Of these, 195 or 71% were to borrowers within its' assessment area. HMDA data shows the bank makes a significant majority of its' mortgage related loans within the assessment area. The bank extended 24 mortgage related loans in 1997. Of this total, 18 or 75% were to borrowers within the bank's assessment area.

Lending to Borrowers of Different Income an to Businesses of Different Sizes

- o A substantial protion of the commercial loans originated by the bank are to borrowers who meet the small business definition. Small businesses are defined as businesses with revenues equal to or less than \$1 million.**

A review of the small business and small farm loans demonstrates the bank makes a substantial number of these lkoans. This is the bank's primary line of business. Internally generated reports show the bank extends small business/small farm loans from as little as \$2,000 to as high as \$1,000,000. Penetration among the different segments within the census tracts is satisfactory.

Geographic Distribution of Loans

- o The distribution of loans among consus tracts in the assessment area is reasonable.**

The bank's assessment area includes only two low income and eight moderate census tracts. The low- and -moderate income tracts make up 37% of the number of census tracts and approximately 25% of the population in the assessment area.

Census track distribution of the 195 loans made in 1997 within the bank's assessment area is as follows:

Low- and -moderate tracks: 20 loans or 15% of total within the assessment area.

Middle Income tracks: 102 loans or 52% of total within the assessment area.

Upper Income tracks: 64 loans or 33% of total within the assessment area.

The bank performs a detailed assessment annually of the geographic distribution of all of its loan applications (approvals and denials). The following tables details the distribution of the bank's lending activity in 1997.

The table indicates that commercial loan penetration in low- and -moderate income areas is higher than consumer loan penetration. This distribution reflects the historical focus of the bank as a commercial lender. Census data indicates there are 10 census tracts of 37% of total census tracts in low- and -moderate income areas. The number of households in the low- and -moderate income census tracts represent 24% of total households and 25% of total population within the assessment area.

LOANS MADE WITHIN THE ASSESSMENT AREA IN 1997								
Type	Census Tract		Consumer			Commercial		
	# in Community	%Community	#	%	\$000's	#	%	\$000's
Low	2	7%	2	3%	13	9	7%	1,249
Moderate	8	30%	4	6%	19	14	11%	6,194
Middle	12	44%	30	43%	661	72	57%	7,417
Upper	5	19%	33	48%	1,045	31	25%	6,282
Total	27	100%	69	100%	1,738	126	100%	21,142

Eighteen mortgage related loans were made in the bank's assessment area in 1997. Of this total, three of the 18 were to borrowers in the low and moderate income range, or approximately 17%. Two were in the low and moderate census tracts, or 11%. Year to date through June 30, 1998 HMDA-LAR shows the bank has extended 15 real estate related loans. Of this total, 14 were to borrowers within the bank's assessment area. Four of these approved loans were to borrowers with income in the low- and -moderate range. Only, one of the 14 was made in a low and moderate census tract. While the bank does not make many mortgage related loans, it is willing to loan to low and moderate segments in the assessment area.

Consumer lending activity is very low at First National Bank of Northwest Florida. The bank is at a competitive disadvantage when it comes to consumer lending because of the lack of a branch networking system. The bank has the main office

and one branch located near the beach. The Panama City MSA is a very competitive market in which the bank operates. As stated earlier, several large regional companies and credit unions operated within the area. Additionally, only one of the low income census tract is within close proximity of the bank.

The bank participates in the Bay Consortium for Community Development, Inc., whose mission is to provide mortgage loans to low and moderate income individuals and families. Bank records show the bank extended two loans in 1997 and 1998 through this affiliation. The bank has a total of 11 loans on its books through this program.

Review of Complaints

The bank did not have any complaints relating to its CRA performance since the last examination.

Fair Lending Review

We conducted a Fair Lending Examination in conjunction with this CRA review. We reviewed all of the bank's applications from the HMDA-LAR. We found no evidence of any discrimination on a prohibited basis.