



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

July 23, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Summit Bank, National Association  
Charter Number 24833

101 West 23rd Street, Panama City, FL 32405

Office of the Comptroller of the Currency

3595 Grandview Parkway Suite 655, Birmingham, AL 35243

**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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Summit Bank's (Bank) Lending Test performance rating is supported by the following:

- a reasonable loan-to-deposit ratio given the bank's size, financial condition, and assessment area (AA) credit needs;
- an adequate level of responsiveness to the credit needs of its assessment areas;
- an overall reasonable penetration of loans among borrowers of different income levels and businesses of different sizes;
- a reasonable dispersion of loans among census tracts of different income levels.

Summit Bank's Community Development Test performance rating is supported by the following:

- an adequate level of responsiveness to the community development needs of its assessment areas;
- a reasonable level of community development loans, investments, and services within the assessment areas the bank serves.

## **Scope of Examination**

This Performance Evaluation is an assessment of Summit Bank's ability to meet the credit needs of its assessment areas. We evaluated Summit Bank using the Intermediate Small Bank evaluation procedures, which includes a lending test and a community development test. We tested the integrity of internal loan data to ensure reliability and reviewed loans and investments that meet the definition of community development. The data was determined to be reliable for purposes of evaluating the Bank's CRA performance.

This performance evaluation starts from the Bank's previous CRA examination date, covering the period from October 27, 2015 through July 23, 2018. Summit Bank's primary loan product over the evaluation period was small business loans. However, for the Bay County assessment area where the Bank has its largest presence, home mortgage lending was also significant. Therefore, in that assessment area, we also evaluated home mortgage loans. Throughout the evaluation, we gave greater weight to the Bank's record of lending to small businesses, as this is its primary product. To evaluate performance under the lending test, we reviewed home mortgage loans originated between January 1, 2016, and December 31, 2017. For home loans analyzed in Bay County, we derived this information from the Bank's reported Home Mortgage Disclosure Act (HMDA) data. We also reviewed a sample of 20 small business loans originated during 2016 and 2017 for each assessment area. In assessing performance with respect to the community development test, we evaluated the Bank's loans, services, grants, donations, and investments that satisfied the definition of community development made between January 1, 2016 and December 31, 2017.

## Description of Institution

Summit Bank, NA is a national bank with total assets of \$414 million at December 31, 2017. The Bank is wholly owned by Summit Financial Enterprises, Inc., a one-bank holding company located in Panama City, FL. The Bank operates its main office in a moderate-income census tract in Panama City, FL. The Bank operates three additional branches: one in Panama City Beach, FL in a middle-income census tract; one in Pensacola, FL in a moderate-income census tract; and one in Fort Walton Beach in a middle-income census tract. The Bank has no automated teller machines (ATM). No legal or financial factors impede Summit Bank's ability to meet the credit needs of its community.

Summit Bank is a community bank with a focus on commercial lending, specifically real estate loans and operating lines of credit. The Bank offers 1-4 family mortgage loans to residential borrowers for home construction, purchase, and refinance. Summit Bank offers various deposit products, including personal checking, savings, money market, small business checking accounts, commercial checking and money market accounts, credit cards, and cash management services. The Bank also offers online banking to its customers. The preceding small bank CRA examination was conducted on October 26, 2015, and resulted in an overall "Satisfactory" rating.

The following table provides details of the Bank's loan composition as of December 31, 2017.

<b>Loan Portfolio Composition as of December 31, 2017</b>		
<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>Percent of Total Loans</b>
Commercial Real Estate	\$132,863	49%
Commercial and Industrial	\$48,680	18%
<b>Total Commercial Loans</b>	<b>\$181,543</b>	<b>67%</b>
Residential Real Estate	\$78,909	29%
Consumer	\$11,262	4%
Agricultural	\$986	<1%
<b>Total Loans</b>	<b>\$272,700</b>	<b>100%</b>

*Source: December 31, 2017 Call Report*

## Description of Assessment Areas

Summit Bank has three separate assessment areas in Florida, which are described below.

### Bay County Assessment Area

Bay County makes up the Panama City, FL Metropolitan Statistical Area (MSA). Bay County has a population of 175,353 according to the 2017 estimated census data, and is comprised of one low-income, eight moderate-income, 23 middle-income, and 11 upper-income census tracts. This assessment area meets the regulation's requirements, and does not arbitrarily exclude low- and moderate-income geographies.

Competition in Bay County is strong given the presence of several large institutions, including Regions Bank, Trustmark National Bank, and Wells Fargo Bank. According to the June 30, 2017, FDIC Deposit Market Share report, Summit Bank holds 10.21 percent of the deposit share within the assessment area and ranks fifth of 16 financial institutions with offices in Bay County.

Local employment in Bay County is heavily dependent on the defense industry. Tyndall Air Force Base employs approximately 6,000 people, and the Naval Support Activity employs approximately 2,000. These two employers contribute to the area’s economic stability.

We discussed the assessment area lending needs with a community contact. The contact specified that while the local economy is stable with a relatively low unemployment rate, the need for affordable housing exists. The contact spoke of the opportunities for local financial institutions to participate in available special lending programs and to provide homeownership counseling.

The following table shows the demographic and economic characteristics of the Bay County assessment area.

Demographic Information for Bay County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	44	2.27%	18.18%	52.28%	25.00%	2.27%
Population by Geography	175,353	2.68%	14.99%	54.05%	28.28%	
Owner-Occupied Housing by Geography	41,737	1.75%	11.91%	53.56%	32.78%	
Businesses by Geography	16,681	2.49%	16.98%	54.76%	25.77%	
Farms by Geography	395	2.53%	11.65%	57.22%	28.60%	
Family Distribution by Income Level	43,485	2.80%	13.40%	53.55%	30.25%	
Distribution of Low- and Moderate-Income Families throughout AA Geographies	16,854	5.12%	21.24%	54.97%	18.67%	
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$56,988 = \$57,300 = 14.58%	Median Housing Value Unemployment Rate				\$160,962 = 3.6%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2017 estimated U.S. Census, and 2017 HUD updated MFI.

**Escambia County Assessment Area**

Escambia County is one of two counties that make up the Pensacola-Ferry Pass-Brent, FL metropolitan statistical area (MSA). According to the 2017 U.S. Census, Escambia County had a population of 306,327. This assessment area is comprised of four low-income, 19 moderate-income, 35 middle-income, and 13 upper-income census tracts and one unknown. This

assessment area meets the regulation’s requirements, and does not arbitrary exclude low- and moderate-income geographies.

Competition in Escambia County is strong given the presence of several large institutions, including Regions Bank, Wells Fargo Bank, and Bank of America. As noted on the June 30, 2017, FDIC Deposit Market Share report, Summit Bank holds 0.56 percent of the assessment area deposit share, ranking 17<sup>th</sup> of 18 financial institutions with offices in Escambia County. Elevated poverty levels (13.8 percent) and unemployment (3.9 percent) adversely affect lending opportunities in this assessment area, as compared to the other assessment areas.

Local employment in the area is heavily dependent on the defense and education industries. The Naval Air Station Pensacola employs over 21,000 people, while Escambia County School Board employs over 5,400. Overall, the defense industry and tourism provide stability to Escambia County’s economy.

The following table shows the demographic and economic characteristics of the assessment area.

Demographic Information for Escambia County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	72	5.56%	26.39%	48.60%	18.06%	1.39%
Population by Geography	306,327	3.86%	24.64%	53.79%	17.71%	
Owner-Occupied Housing by Geography	113,660	2.65%	20.43%	53.82%	23.10%	
Businesses by Geography	29,278	3.37%	26.64%	50.51%	19.48%	
Farms by Geography	911	2.74%	20.09%	60.05%	17.12%	
Family Distribution by Income Level	68,430	2.95%	22.69%	53.06%	21.30%	
Distribution of Low- and Moderate-Income Families throughout AA Geographies	27,890	5.68%	33.63%	49.19%	11.50%	
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$60,705 = \$62,000 = 13.79%	Median Housing Value Unemployment Rate		= \$129,735 = 3.9%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2017 estimated U.S. Census, and 2017 HUD updated MFI.

**Okaloosa County Assessment Area**

Okaloosa County is one of two counties that make up the Crestview-Fort Walton Beach-Destin, FL MSA. According to the estimated 2017 U.S. Census, Okaloosa County had a population of 192,237. This assessment area has no low-income census tracts, four moderate-income, 27 middle-income, and ten upper-income census tracts. This assessment area meets the regulation’s requirements, and does not arbitrarily exclude low- and moderate-income geographies.

Competition in the assessment area is strong given the presence of several large institutions, including Regions Bank, Wells Fargo Bank, and Bank of America. As noted in the June 30, 2017, FDIC Deposit Market Share report, Summit Bank held 0.74 percent of the assessment area deposit share, ranking 19<sup>th</sup> of 22 financial institutions operating in Okaloosa County.

Local employment in the area is heavily dependent on the defense industry. Okaloosa County is home to Eglin Air Force Base, which employs approximately 15,000 people, and is the county’s largest Department of Defense installation. Hurlburt Field, also an Air Force installation, employs 8,000 military personnel. Given the large military presence, the economy is projected to remain stable.

The following table shows the demographic and economic characteristics of the assessment area.

Demographic Information for Okaloosa County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	43	0.00%	9.30%	62.79%	23.26%	4.65%
Population by Geography	192,237	0.00%	6.01%	74.94%	19.05%	
Owner-Occupied Housing by Geography	74,884	0.00%	2.42%	74.76%	22.82%	
Businesses by Geography	19,654	0.00%	6.09%	66.19%	27.72%	
Farms by Geography	492	0.00%	2.85%	81.91%	15.24%	
Family Distribution by Income Level	49,610	0.00%	4.96%	73.80%	21.24%	
Distribution of Low- and Moderate-Income Families throughout AA Geographies	17,977	0.00%	8.19%	79.23%	12.58%	
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$63,539 = \$67,300 = 11.73%	Median Housing Value Unemployment Rate		= \$214,998 = 3.1%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2017 estimated U.S. Census, and 2017 HUD updated MFI.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The Bank’s performance under the Lending Test is Satisfactory. To derive our conclusions for the Lending Test, we placed the greatest weight on the Bank’s primary product, business loans. However, for the Bay County assessment area only, we evaluated the Bank’s record of home mortgage lending in addition to small business lending. Bay County home mortgage lending levels are significant enough that that a meaningful analysis can be conducted. In addition, because the bank has the greatest presence in the Bay County AA, we weighted the bank’s

lending activities this AA more heavily than for the Escambia County AA and Okaloosa County AA.

**Loan-to-Deposit Ratio**

Summit Bank’s average loan-to-deposit (LTD) ratio demonstrates its commitment to lend within its combined assessment areas. We calculated the average LTD ratio by averaging the Bank’s ratios over the eight quarters between January 1, 2016 and December 31, 2017. During this period, the LTD ratio averaged 72.04 percent, with a quarterly low of 66.75 percent and a quarterly high of 80 percent. There are three similarly situated banks within the assessment areas. Over the same eight-quarter review period, the similarly situated banks had a combined average LTD ratio of 55.59 percent. Comparatively, Summit Bank’s LTD ratio is reasonable, meeting the standard for satisfactory performance.

**Lending in Assessment Area**

The following table depicts the number and dollar volume of home mortgage and small business loans originated inside and outside the combined assessment areas from January 1, 2016, through December 31, 2017. We compiled this information based upon HMDA-reportable data and internal loan registers.

<b>Lending in Combined Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	63	81.82%	14	18.18%	77	\$21,787,000	61.20%	\$13,814,000	38.80%	\$35,601,000
Small Business Loans	53	88.33%	7	11.67%	60	\$14,135,135	85.96%	\$2,308,868	14.04%	\$16,444,003
Totals	116	84.67%	21	15.33%	137	\$35,922,135	69.02%	\$16,122,868	30.98%	\$52,045,003

*Source: 2016 and 2017 HMDA Data and Small Business loan sample.*

Summit Bank originated a majority of its residential and business loans by number and dollar amount to borrowers within its assessment areas. For the period reviewed, the Bank originated 84.67 percent of total loans by number within its assessment areas. The Bank originated 69.02 percent of total loans by dollar volume within the assessment areas. Summit Bank’s record of lending in its assessment areas meets the standards for satisfactory performance.

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

Overall, lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standard for satisfactory performance in all assessments areas.

## Bay County Assessment Area

In the Bay County AA, home lending to borrowers of different incomes is below the standard for satisfactory performance and reflects a poor penetration among low- and moderate-income borrowers. We noted, however, that income information was not available for a large percentage of the Bank’s HMDA-reportable loans in Bay County (50 percent in 2016 and 32 percent in 2017). This is mainly because much of the Bank’s home mortgage lending in Bay County is for business purposes to borrowers who are not natural persons and do not intend to occupy the property. For this reason, and because the largest percentage of the Bank’s lending in 2016 and 2017 were commercial loans, we placed more emphasis on lending to small businesses. We determined that lending to small businesses meets the standard for satisfactory performance and reflects a reasonable penetration of loans to businesses with annual revenues under \$1 million.

### Home Loans

The following tables illustrate the distribution of residential loans among borrowers of different incomes, within the Bay County assessment area. To ensure the integrity of data due to changes in census boundaries, lending for 2016 and 2017 are presented separately. We analyzed residential real estate lending using borrower income compared to the median family income (MFI) levels. The updated MFI figures for the Panama City, Florida MSA were \$55,300 for 2016 and \$57,300 for 2017.

Borrower Distribution of 2016 Residential Real Estate Loans in the Bay County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgages	21.06%	0.00%	17.70%	0.00%	19.93%	5.56%	41.31%	44.44%

Source: Data reported under HMDA; U.S. Census data. Income information not available for 50.00% of loans

Borrower Distribution of 2017 Residential Real Estate Loans in the Bay County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgages	21.06%	0.00%	17.70%	2.94%	19.93%	2.94%	41.31%	61.76%

Source: Data reported under HMDA; U.S. Census data. Income information not available for 32.36% of loans

As reflected in the tables, home lending in the Bay County AA to borrowers of different income levels reflects poor penetration. Low- and moderate-income families represented 21.06 percent, and 17.70 percent of the assessment area, respectively. In 2016, the Bank’s penetration of

lending to these borrowers is well below the demographic comparator for residential loans, amounting to 0 percent in both the low- and moderate-income AAs. In addition, Summit Bank performed well below the aggregate of all HMDA reporters in Bay County for 2016, who originated 3.71 percent of lending to low-income borrowers, and 12.64 percent to moderate-income borrowers. Although the Bank achieved a low level of penetration among low- and moderate-income families, 14.58 percent of the assessment area households are below poverty the poverty level which somewhat impedes the Bank’s ability to originate home loans to qualified borrowers.

***Small Business Loans***

The tables below show that 86.4 percent of businesses in the Bay County assessment area are small businesses, with annual revenues of less than \$1 million. Analysis of the sample of business loans originated in the Bay County AA reflects that the Bank originated 40 percent of the number of business loans to small businesses, and 34.74 percent of the dollar volume. We also noted that 50 percent of the sampled loans to small businesses in the Bay County AA were in amounts less than \$100 thousand, and that 70 percent were in amounts less than \$250 thousand. Based on this information, the distribution of loans to businesses in the Bay County AA reflects reasonable penetration among businesses of different sizes.

<b>Borrower Distribution of Loans to Businesses in Bay County Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	86.40%	4.12%	9.48%	100%
% of Bank Loans in AA by #	40.00%	60.00%	0.00%	100%
% of Bank Loans in AA by \$	34.74%	65.26%	0.00%	100%

*Source: 20 business loans sampled; Dunn and Bradstreet data.*

<b>Borrower Distribution of Loans to Businesses by Loan Size in Bay County Assessment Area</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	10	50.00%	\$546,675	11.22%
\$100,001 - \$250,000	4	20.00%	\$715,000	14.67%
\$250,001 - \$500,000	3	15.00%	\$1,330,963	27.31%
\$500,001 - \$1,000,000	3	15.00%	\$2,280,700	46.80%
Over \$1,000,000	0	0.00%	\$0.00	0.00%

*Source: 20 business loans sampled.*

**Okaloosa County Assessment Area**

Summit Bank’s lending in Okaloosa County reflects a reasonable penetration among businesses of different sizes.

**Home Loans**

During 2016 and 2017, the Bank originated only eight HMDA-reportable loans in the Okaloosa County AA. This volume of home loans is insufficient to perform a meaningful analysis of the penetration of home lending among borrowers of different incomes in the Okaloosa County AA.

**Small Business Loans**

The following tables show the distribution of commercial loans among different sized businesses and in varying loan amounts in the Okaloosa County AA. The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Information presented in the tables reflects that 87.38 percent of businesses in Okaloosa County are small businesses with annual revenues of less than \$1 million. For the 20 business loans we sampled in this AA, the Bank originated 55 percent of the number to small businesses, and 48.05 percent of the dollar volume. The tables also reflect that 55 percent of small business loans were in amounts less than \$100 thousand and that 85 percent were in amounts less than \$250 thousand.

<b>Borrower Distribution of Loans to Businesses in Okaloosa Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	87.38%	3.48%	9.14%	100%
% of Bank Loans in AA by #	55.00%	25.00%	20.00%	100%
% of Bank Loans in AA by \$	48.05%	37.49%	14.46%*	100%

Source: 20 business loans sampled; Dunn and Bradstreet data.

\*Revenues of business not collected for 3 loans in the sample

<b>Borrower Distribution of Loans to Businesses by Loan Size in Okaloosa Assessment Area</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	11	55.00%	\$629,443	20.61%
\$100,001 - \$250,000	6	30.00%	\$1,295,776	42.42%
\$250,001 - \$500,000	3	15.00%	\$1,129,487	36.97%
\$500,001 - \$1,000,000	0	0.00%	0	0.00%
Over \$1,000,000	0	0.00%	0	0.00%

Source: 20 business loans sampled.

**Escambia County Assessment Area**

Summit Bank’s lending in Escambia County reflects a reasonable penetration among businesses of different sizes.

**Home Loans**

During 2016 and 2017, the Bank originated only three HMDA-reportable loans in the Escambia County AA. This volume of home loans is insufficient to perform a meaningful analysis of the penetration of home lending among borrowers of different incomes in the Escambia County AA.

**Small Business Loans**

The following tables show the distribution of commercial loans among different sized businesses and in varying loan amounts in the Escambia County AA. The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Information presented in the tables reflects that 87.64 percent of businesses in Escambia County are small businesses with annual revenues of less than \$1 million. For the 20 business loans in this AA we sampled, the Bank originated 70 percent of the number to small businesses, and 66.25 percent of the dollar volume. The tables also reflect that 35 percent of small business loans were in amounts less than \$100 thousand and that 55 percent were in amounts less than \$250 thousand.

<b>Borrower Distribution of Loans to Businesses in Escambia Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	87.64%	4.22%	8.14%	100%
% of Bank Loans in AA by #	70.00%	20.00%	10.00%	100%
% of Bank Loans in AA by \$	66.25%	16.31%	17.44%	100%

Source: 20 business loans sampled; Dunn and Bradstreet data.

<b>Borrower Distribution of Loans to Businesses by Loan Size in Escambia Assessment Area</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	7	35.00%	\$364,336	6.35%
\$100,001 - \$250,000	4	20.00%	\$684,630	11.94%
\$250,001 - \$500,000	6	30.00%	\$2,549,518	44.46%
\$500,001 - \$1,000,000	3	15.00%	\$2,136,800	37.25%
Over \$1,000,000	0	0.00%	0	0.00%

Source: 20 business loans sampled.

**Geographic Distribution of Loans**

Overall, the geographic distribution of loans in all assessment areas reflects a reasonable dispersion throughout census tracts of different income levels and meets the standard for satisfactory performance.

## Bay County Assessment Area

The Bank's geographic distribution of home loans and small business loans in the Bay County AA reflects a reasonable dispersion among census tracts of different income levels.

### *Home Loans*

The following tables show the geographic distribution of home loans within Bay County. To ensure the integrity of data due to changes in census boundaries, lending for 2016 and 2017 are presented separately.

Geographic Distribution of 2016 Residential Real Estate Loans in Bay County AA								
CensusTract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgages	1.75%	0.00%	11.91%	5.56%	53.56%	72.22%	32.78%	22.22%

Source: Data reported under HMDA; U.S. Census data.

Geographic Distribution of 2017 Residential Real Estate Loans in Bay County AA								
CensusTract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgages	1.75%	2.94%	11.91%	5.88%	53.56%	67.65%	32.78%	23.53%

Source: Data reported under HMDA; U.S. Census data.

Based on information in the tables, the geographic distribution of home loans in the Bay County AA reflects reasonable dispersion among borrowers in low- and moderate-income census tracts. Owner-occupied housing in the low-income census tract represented 1.75 percent of housing. This low percentage indicates minimal lending opportunities in the only low-income census tract. Owner-occupied housing in moderate-income census tracts represented 11.91 percent of assessment area housing. In 2016, the Bank originated 5.56 percent of total residential loans within the moderate-income census tracts. While this percentage is below the demographic comparator, the low levels of owner-occupied housing units in the assessment area illustrate a high usage of rental properties consistent with Bay County tourism. In addition, we noted that in 2016, the aggregate of all HMDA reporting lenders in Bay County originated 9.9 percent of their loans in moderate-income census tracts, which is less than the demographic comparator of 11.91 percent. Given these circumstances, the Bank meets the standards for satisfactory geographic distribution of home mortgages throughout census tracts of different income levels.

***Small Business Loans***

The following table shows the geographic distribution of business loans within the Bay County assessment area. The Bank’s geographic distribution of small business loans in Bay County reflects an excellent dispersion among small businesses located in low- and moderate-income census tracts. Businesses located in low-income census tracts totaled only 2.49 percent, and the Bank originated 5 percent of small business loans in the low-income census tract, exceeding the demographic comparator. Businesses located in moderate-income census tracts totaled 16.98 percent of total assessment area businesses, and the Bank originated 25 percent of small business loans in moderate-income census tracts. This also exceeded the demographic comparator. As such, the Bank’s lending to small businesses among census tracts of different income levels exceeds the standards for satisfactory performance.

<b>Geographic Distribution of Loans to Businesses in Bay County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Small Business	2.49%	5.00%	16.98%	25.00%	54.76%	55.00%	25.77%	15.00%

*Source: 20 business loans sampled; Dunn and Bradstreet data.*

**Okaloosa County Assessment Area**

The Bank’s geographic distribution of small business loans in the Okaloosa County AA reflects an excellent dispersion among census tracts of different income levels.

***Home Loans***

During 2016 and 2017, the Bank originated only eight HMDA-reportable loans in the Okaloosa County AA. This volume of home loans is insufficient to perform a meaningful analysis of the geographic distribution of home lending in the Okaloosa County AA.

***Business Loans***

The following table shows the geographic distribution of business loans within the Okaloosa County AA. There are no low-income census tracts in Okaloosa County. The Bank’s geographic distribution of business loans in Okaloosa County reflects an excellent dispersion among borrowers in moderate-income census tracts. Businesses located in moderate-income census tracts in the Okaloosa County AA represented 6.09 percent of total businesses in the county. The Bank’s lending to businesses within the moderate-income census tracts, at 25 percent, exceeded this demographic comparator and exceeds standards for satisfactory performance.

Geographic Distribution of Loans to Businesses in Okaloosa County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Small Business	0.00%	0.00%	6.09%	25.00%	66.19%	50.00%	27.72%	25.00%

Source: 20 business loans sampled; Dunn and Bradstreet data.

### Escambia County Assessment Area

The Bank’s geographic distribution of small business loans in Escambia County reflects a reasonable dispersion.

#### Home Loans

During 2016 and 2017, the Bank originated only three HMDA-reportable loans in the Escambia County AA. This volume of home loans is insufficient to perform a meaningful analysis of the dispersion of home lending among census tracts of different income levels in the Escambia County AA.

#### Small Business Loans

The following table shows the geographic distribution of business loans in the Escambia County AA. While 3.37 percent of businesses in the Escambia County AA are in low-income census tracts, the Bank did not originate any small business loans in those tracts. However, the Bank’s lending in moderate-income census tracts exceeded the demographic comparator. Businesses located in moderate-income census tracts in the Escambia County AA represented 26.64 percent of total businesses in the county. The Bank’s lending to businesses within the moderate-income census tracts, at 35 percent, exceeded this demographic comparator and exceeds standards for satisfactory performance. Overall, the Bank’s geographic distribution of lending to small businesses in this AA is reasonable, and meets the standards for satisfactory performance.

Geographic Distribution of Loans to Businesses in Escambia County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Small Business	3.37%	0.00%	26.64%	35.00%	50.51%	60.00%	19.48%	5.00%

Source: 20 business loans sampled; Dunn and Bradstreet data.

## **Responses to Complaints**

The Bank has not received any written complaints during the assessment period related to its performance in meeting the community credit needs of its assessment areas.

## **COMMUNITY DEVELOPMENT TEST**

Summit Bank's performance with respect to the community development test is rated "Satisfactory." The Bank's level of community development activity reflects adequate responsiveness to the needs of low- and moderate-income individuals and census tracts within its assessment areas. The Bank operates four full service branch offices, and offers a full range of deposit and lending services at each office. In addition, the Bank has originated an excellent level of community development loans in its Bay County assessment area. As the Bank's primary presence is in Bay County, we weighted the Bank's community development performance more heavily in that county. The Bank has made adequate investments and donations in all three assessment areas that satisfy low- and moderate-income needs. Further, bank officers and lending staff regularly volunteer their time and expertise to organizations that provide financial education, as well as housing and childcare services to low- and moderate-income families.

## **Number and Amount of Community Development Loans**

Summit Bank made an excellent level of community development loans in Bay County. While community development lending in the Bay County assessment area where the main office is located is strong, lending in the Escambia and Okaloosa assessment areas needs to improve.

### **Bay County Assessment Area**

In October 2016, the Bank provided a loan of \$3,207,000 to Panama City for financing the citywide energy conservation measures (ECM). The Bank funded \$3,207,000, or 69 percent, of the ECM. Conservation measures include lighting (buildings/streets/parks) water conservation, building envelop/window film, mechanical/energy management/fire. The loans promote economic development since ECM is a part of Panama City's revitalization plan. There are four CRA districts designated in Panama City, including Downtown, Downtown North, Millville, and St. Andrews. The key aspect of the CRA's focus and mission is to rebuild an environment where new investments can grow and prosper. The loan's purpose is to improve social and environmental conditions and gradually reverse the blighted conditions in some portions of the community.

### **Okaloosa County Assessment Area**

There were no community development loans in the Okaloosa County assessment area.

### **Escambia County Assessment Area**

There were no community development loans in the Escambia County assessment area.

### **Number and Amount of Qualified Investments**

Summit Bank has provided an adequate level of qualified community development investments and donations throughout its assessment areas.

### **Bay County Assessment Area**

#### Government National Mortgage Association (GNMA) Security

The Bank purchased this mortgage backed investment pool totaling \$1.4 million. The mortgage pool is comprised of nine home loans in low- to moderate-income census tracts in the Bay County and Okaloosa assessment areas. Five loans are in the Bay County assessment area totaled \$635,417. The loans were largely low down payment loans to low- to moderate-income households. While this investment is not innovative, it is supportive of community development needs.

### **Okaloosa County Assessment Area**

#### Government National Mortgage Association (GNMA) Security

The Bank purchased this mortgage backed investment pool totaling \$1.4 million. Four of these loans are in the Okaloosa assessment area, totaling \$740,310. The loans were largely low down payment loans to low- and moderate-income households.

#### Capital Trust Agency Florida Multifamily Revenue Bond

Capital Trust Agency is located in Gulf Breeze, Florida. The agency was founded in 1999 to provide financing for affordable housing projects, airport facilities, hotels, and convention developments promoting tourism, healthcare projects, and K-12 educational buildings. In August 2017, the Bank purchased a \$1 million revenue bond used to finance the Sheltering Palm-Heather Glen Apartments, a subsidized low- income housing project located in Fort-Walton Beach, Florida.

#### Originated Donations

The Bank made six individual donations totaling \$42,900 within the Okaloosa assessment area for the period January 1, 2016 through December 31, 2017. These donations were to organizations such as Step Up For Students, Opportunity Place, and Habitat for Humanity. The largest donation, \$40,000, was to Step Up for Students, a state-approved nonprofit scholarship funding organization that helps administer two scholarships for Florida schoolchildren: the Florida Tax Credit Scholarship Program for low-income families and the Personal Learning Scholarship Accounts for children with certain special needs.

**Escambia County Assessment Area**

Originated Donations

The Bank made four individual donations totaling \$42,475 within the Escambia assessment area for the period January 1, 2016, through December 31, 2017. These donations were to organizations such as Step Up for Students, Big Brothers Big Sisters of North West Florida, and the Salvation Army. The largest donations, \$15,000 in 2016 and \$25,000 in 2017, was to Step Up for Students. Other donations included \$2,225 to Big Brother Big Sister of North West Florida and \$250 to the Salvation Army’s Annual Christmas Alert. The Christmas Alert is an annual fundraising event that raises awareness of the need for support of the Salvation Army’s programs and services. Services include providing food, shelter, and warmth.

**Extent to Which the Bank Provides Community Development Services**

Summit Bank has provided an adequate level of community development services throughout its assessment areas.

**Bay County Assessment Area**

Bank officers have served in leadership positions in organizations that provide community services to low- and moderate-income families and provide technical and financial expertise in these organizations. During the review period, the bank officers served in qualifying positions or led five different service organizations in Bay County. These organizations provide an array of services to the community including various types of support for underprivileged and foster care children, health services to the low-income population, and community redevelopment services.

**Okaloosa County Assessment Area**

A staff member serves on the Family Selection Committee for Habitat for Humanity. The Family Selection Committee reviews applications from low-income families who qualify for habitat homes. Once the applications are reviewed, committee members vote for the most qualified family. Another staff member serves on the Funds Distribution Panel for United Way. The Funds Distributions Panel visits local non-profit organizations to discuss their missions, services, and needs. The Funds Distribution Panel then decides how United Way funds are distributed among various non-profits.

**Escambia County Assessment Area**

A bank Vice President serves as a member of the Family Grant Review Committee for Impact 100. The mission of IMPACT 100 of Northwest Florida, Inc. is to financially support nonprofit organizations in Northwest Florida by empowering women as philanthropists and leaders. Another staff member presented a financial seminar to employees of Caregivers Inc. Topics presented included how to establish credit, credit repair, importance of credit, identity theft, and an overview of the residential mortgage loan process. Caregivers Inc. provides non-health related in-home services for elderly and disabled individuals. In addition, a staff member serves on the Marketing Committee for Nemours Children’s Specialty Clinic. The mission of Nemours

is to provide leadership, institutions, and services to restore and improve the health of children through care and programs not readily available, regardless of the recipient's financial status.

### **Responsiveness to Community Development Needs**

The Bank's community development performance is satisfactory. Overall, the Bank's responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services is reasonable. However, community development lending in Okaloosa and Escambia counties needs to improve.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.