



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 17, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Avenue National Bank
Charter Number 24652

910 SW 1st Avenue
Ocala, Florida 34471

Office of the Comptroller of the Currency

North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, Florida 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.

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

- First Avenue National Bank's (FANB) average loan-to-deposit ratio is more than reasonable and exceeds peer group averages.
- A substantial majority of business lending occurs in the assessment area.
- FANB's lending activities, which carries the most significance in this evaluation, reflects a reasonable penetration among businesses of different sizes.
- The geographic distribution of business lending reflects excellent dispersion throughout the assessment area.

SCOPE OF EXAMINATION

The bank was examined using the Community Reinvestment Act (CRA) small bank examination procedures in order to assess the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

Based on both the number and dollar amount of loan originations provided by the bank since opening in November 2006 through April 30, 2010 (evaluation period), the primary loan product was business originations, accounting for 264 (80% of total) in number and \$68 million (79%) in dollar volume in comparison to residential real estate lending originations for the same time period of 66 (20%) in number and \$18 million (21%) in dollar volume. As such, our evaluation of the bank's lending performance will reflect only one loan product, business loans, as this was more representative of its lending strategy during the evaluation period. Our conclusions were based on an analysis of a random sample of business loans originated during the evaluation period.

DESCRIPTION OF INSTITUTION

FANB is an intrastate, closely-held bank established November 16, 2006 and headquartered in Ocala, Florida. The bank has one branch that is also located in Ocala, Florida. The bank provides many services to its customers including: check card services, free 24-hour internet, bill paying and telephone banking. Customers can make cash withdrawals at any Publix Presto ATM locations without any fees or from any other ATM location paying only the fees charged by the proprietary bank.

FANB provides low-to-no cost checking and savings accounts to consumers and businesses. For example, the bank offers a personal and business checking account with only a \$100 minimum balance requirement to open and no monthly maintenance fees. These two products are considered responsive to the banking needs of low-and moderate-income individuals and to small businesses.

FANB offers a variety of lending programs but generally its primary focus has been in business lending. As noted in the table below, commercial and commercial real estate loans represent 66% or \$46.2 million of total loans and residential and consumer loans represent 34% or \$24.2 million.

The composition of the loan portfolio as of March 31, 2010 is charted below and is based on total loans of \$70.4 million

Composition of the Loan Portfolio as of 3/31/10		
Loan Type	Dollar Amount (000)	Percentage (%)
Consumer	\$6,305	9.00%
Commercial	\$4,230	6.00%
Residential RE	\$17,863	25.00%
Commercial RE	\$42,022	60.00%

To address the credit needs for housing in the AA, FANB offers various affordable and flexible residential real estate loan products such as Federal Housing Administration (FHA); USDA-Rural Development; and, Fannie Mae (FNMA) and Freddie Mac (FHLMC) loans. FANB can offer these types of home mortgage products to consumers; including low-and moderate-income individuals and families, that otherwise would not be offered through its association with the secondary market in which many of these loans are sold to institutional investors. During the evaluation period, four FHA loans totaling \$662,290 and 30 FNMA and FHLMC totaling \$5,066,645 were closed. The bank also participated in a federally sponsored Homeownership Workshop by providing expertise to consumers regarding homeownership.

As of March 31, 2010, the bank had total assets of \$99.4 million with net loans comprising 69.45% of total assets, or \$69 million. There are no financial or legal impediments that would prevent the bank from meeting the credit needs of the community it serves. This is the first CRA evaluation for the bank since opening in November 2006.

DESCRIPTION OF ASSESSMENT AREA

Description of the Marion County Assessment Area-Ocala Metropolitan Statistical Area (MSA) #36100

The assessment area (AA), which is located in North Central Florida, includes all of Marion County. The county seat is the city of Ocala. Other cities in the county include Belleview and Dunnellon. The AA consists of all census tracts (46) in Marion County and the MSA. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FANB has two offices, both located in the AA. The main office is located at 1st Avenue in Ocala and the branch, which opened in August, 2008, is located at West Highway 40 in Ocala. Both offices are located in a middle-income census tract. Both offices have automated teller machines (ATM) access and drive-up facilities.

According to the 2000 U.S. Census Bureau economic data, the assessment area has a total population of 258,916. Approximately 25% of the population is over 65 years of age and about 12% of households live below the poverty level. Housing units in the AA total 157,927 with 116,526 or 74%, classified as 1-4 family units of which 54% are owner-occupied. Multifamily housing represents 6,137 or 4%, and rental housing represents 21,584 or approximately 14% of total housing units in the AA. Over 10% or 15,908 housing units are vacant. There are 35,878 non-farm businesses located throughout the AA which includes 6,889 businesses that did not report annual revenues. Small businesses comprise approximately 78%, or 28,102 of the total businesses within the AA.

The AA has always enjoyed a growing, diversified economy which is not highly dependent on one industry. Much of the AA's growth is generally due to the area's growing popularity as a retirement destination. In addition, Marion County is one of the major thoroughbred equine centers in the world and Ocala is well known as the "Horse

Capital of the World". Industries that have generally fueled the AA's economy include manufacturing, housing, retiree-dependent and equine related. Ocala has a higher concentration in manufacturing than is typical of other Florida metro areas.

Organizations that have a major presence in the AA include Munroe Regional Medical Center, Wal-Mart Stores, Publix Supermarkets, Inc., Ocala Regional Medical Center and AT&T. And, Ocala is the headquarters of Emergency One, a worldwide designer and manufacturer of fire rescue vehicles.

Specific 2009 and 2010 demographic and economic data for the assessment area are detailed below.

Demographic and Economic Characteristics of the Marion County AA			
Population		Geographies	
Total Persons	258,916	Number of Census Tracts	46
Number of Households	106,707	% Low-Income Census Tracts (1)	2.17%
Median Family Income (MFI)	\$48,800	% Moderate-Income Census Tracts (3)	6.52%
<i>Based on MFI</i>		% Middle-Income Census Tracts (32)	69.57%
Low-Income individuals earn	<\$24,400	% Upper-Income Census Tracts (10)	21.74%
Moderate-Income individuals earn	\$24,400- \$39,040		
Income Distribution		Businesses	
Number of Families	74,927	Number of Businesses located in the AA	35,878
Families residing in the AA by income category		% of Small Businesses located in the AA	78.33%
% Low-Income Families	17.12%	% of Large Businesses	2.47%
% Moderate-Income Families	19.85%	% of Business with no revenues reported	19.20%
% Middle-Income Families	23.46%	% of Biz in Low-Income Census Tracts	0.71%
% Upper-Income Families	39.57%	% of Biz in Moderate-Income Census Tracts	4.55%
		% of Biz in Middle-Income Census Tracts	72.92%
		% of Biz in Upper-Income Census Tracts	21.82%
<i>Source: 2000 Census, 2009 HUD updated income data and 2009 Dunn and Bradstreet data</i>			

As with most metropolitan areas located in Florida, the economy in the AA has been significantly impacted by the current national and local recession. FANB's ability and opportunity to lend, especially to low- and moderate-income borrowers as well as to small businesses, has been impacted by the downturn in the economy. The entire state and in particular Marion County have experienced significant job losses, a volatile housing market and a record number of delinquencies, foreclosures and bankruptcies. And, the national recession has slowed the once strong retiree migration to the AA that is needed to fuel growth.

For the first four months of 2010, unemployment rates and home foreclosures remain high and home prices continue to decline prolonging the transition from recession to recovery. According to the U.S. Department of Labor, Bureau of Labor Statistics April 2010 report, the unemployment rate (not seasonally adjusted) for Marion County was 13.9%, which is well above the average for the state's unemployment rate of 11.2% and much higher than the 9.5% national rate. Further, the current rate is higher than the

AA's April 2009 unemployment rate of 11.6%, but has somewhat improved from the March 2010 rate of 15.0%. In April 2010, Marion County ranked the third highest unemployment rate in the state.

The AA has experienced a volatile housing market in the past several years as home values quickly escalated in a short time period and are now rapidly declining. The local economy has been struggling with a severe housing correction as median home prices have been cut in half since peaking in early 2007. The falling home values are expected to continue as job losses in the counties depress overall housing demand. According to RealtyTrac, the estimated median housing value as of April 2010 for Marion County was \$93,122 a 16.26% decline from the same period last year. The county is also reporting 946 foreclosures just for the month of April alone. However, the manufacturing industry is expected to booster the economy in the near future.

Competition for financial services within the bank's AA is intense. According to the FDIC deposit market share data as of June 30, 2009, there were 23 financial institutions operating in 97 offices within the AA. Major competitors include: SunTrust Bank, Wachovia Bank, N.A., Regions Bank and Bank of America, N.A.

Our office recently met with a locally-based community organization to gain a better understanding of the most pressing credit needs within the bank's AA. Community credit needs identified were affordable housing for low- and moderate-income families and financing micro-loans to small businesses as continued credit needs. Non-profits in the area have had set-backs or funds have been delayed due to economic and other factors. Due to the high unemployment rate, many residents are losing their homes due to loan defaults and/or arrears in property taxes. In addition, there has been a significant decline in qualifying borrowers seeking to purchase homes as well as businesses seeking commercial loans. Expectations are that the conditions will remain the same throughout the year. However, there are a number of opportunities for financial institutions such as providing operating funds and volunteers to assist in home and employment counseling.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

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

FANB's average loan-to-deposit (LTD) ratio is more than reasonable and exceeds peer group averages. The average loan-to-deposit ratio was calculated and averaged for each quarter since the bank opened in November 2006 through March 31, 2010. The peer group used for this analysis consists of banks with total assets below \$200 million located in Marion County. FANB's average LTD ratio for the past 14 quarters was 96% which exceeds the peer banks' average LTD ratio of 87% for the same time period. Additionally, FANB's LTD exceeds the average of 78% for the 11 de novo banks in Florida opened during a similar time period.

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

A substantial majority of business lending occurs in the assessment area. This is based on analysis of a random sample of 56 business loans originated since the bank opened in November 2006 through April 30, 2010. As detailed in the table below, approximately 91% by number and 84% by dollar amount of sampled loans were within FANB's assessment area.

Lending in the Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	51	91.07%	5	8.93%	56	\$9,300	84.00%	\$1,772	16.00%	\$11,072

Source: Loan sample for business loans for the time period of November 16, 2006 through April 30, 2010.

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

FANB's lending activities show reasonable penetration among businesses of different sizes. Our sample, as noted above, was based on the 51 business loans made in the assessment area during the evaluation period. The following charts depict a breakdown of these loans according to business and loan size.

Borrower Distribution to Businesses in the Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Revenue Unavailable	Total
% of AA Non-farm Businesses	78.33%	2.47%	19.20%	100.00%
% of Bank Loans in AA by #	68.63%	31.37%	0.00%	100.00%
% of Bank Loans in AA by \$	59.83%	40.17%	0.00%	100.00%

Source: Loan sample for business loans for the time period of November 16, 2006 through April 30, 2010, and 2009 Dunn and Bradstreet data

Borrower Distribution of Loans to Businesses in the Assessment Area				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollars
\$0-\$100,000	30	58.82%	\$1,677	18.03%
\$100,001-\$250,000	9	17.65%	\$1,352	14.54%
\$250,001-\$500,000	8	15.69%	\$2,801	30.12%
\$500,001-\$1,000,000	3	5.88%	\$2,270	24.41%
\$1,000,001-\$1,500,000	1	1.96%	\$1,200	12.90%
Total	51	100.00%	\$9,300	100.00%

Source: Loan sample for business loans for the time period of November 16, 2006 through April 30, 2010.

As depicted in the proceeding tables, the percentage of loans to small businesses is near to the percent of such businesses operating in the AA. Based on our sample, FANB originated approximately 69% of total number of loans and 60% of total dollar volume of loans to small businesses (those with total revenues of \$1 million or less). In comparison, businesses in the assessment area that reported revenues, 78% are considered small businesses. Additionally, as shown in the chart above, a substantial majority of the loans originated in the AA had original amounts of \$500 thousand or less. During the evaluation period, FANB originated 30 loans, or 59% of all AA business loans sampled originated with dollar amounts of \$100 thousand or less. Likewise, 47 loans, or 92% of all AA business loans sampled, originated with dollar amounts of \$500 thousand or less indicating that the bank is meeting the needs of smaller businesses. Additionally, FANB is a qualified U.S. Small Business Administration (SBA) lender.

- **Geographic Distribution of Loans - Exceeds the Standard for Satisfactory Performance.**

The geographic distribution of business lending reflects excellent dispersion throughout the AA. Our analysis was based on the same sample of 51 business loans originated during the evaluation period. The following table reflects the distribution of sampled loans by income designation of census tract.

Geographic Distribution of Business Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.71%	0.00%	4.55%	9.80%	72.92%	74.51%	21.82%	15.69%

Source: Loan sample for business loans for the time period of November 16, 2006 through April 30, 2010, and 2009 Dunn and Bradstreet data

As shown in the table above, the geographic distribution of loans to businesses exceeds the percentage of businesses located in those tracts. The lending analysis shows the bank extended almost 10% of its businesses loans to businesses located in moderate-income census tracts. By comparison, moderate-income census tracts account for approximately 5% of all businesses in the AA. There is only one low-income tract in the AA and the percentage and number of businesses located in this tract is very low, representing less than one percent and 254, respectively. Consequently, the bank did not lend to any businesses in this tract. Lending to middle-and upper-income census tracts shows a reasonable pattern of distribution.

- **Responses to Complaints**

There were no CRA related complaints received by the bank or our office during the period of review.

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.