

PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Admiralty Bank
774730

Palm Beach Gardens, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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 First Southern Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of June 15, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank's loan-to-deposit ratio adjusted for recently sold loans is considered reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of small business loans sampled were originated outside of the bank's assessment area; however, the majority of consumer loans originated since the last examination were inside the assessment area. The geographic distribution of both business and consumer loans inside the assessment area reflects the area's demographic makeup in terms of census tract characteristics and in terms of lending to businesses of different sizes and to borrowers of different income levels. No CRA-related complaints have been received since the previous examination.

DESCRIPTION OF INSTITUTION

Admiralty Bank has its main office in Palm Beach Gardens, Florida, and opened for business in 1987. The bank has two branches; one in Juno Beach and one in Jupiter, Florida. According to the March 31, 1998 Consolidated Reports of Condition and Income, the bank had total assets of \$46,335M. Admiralty Bancorp, a single-bank holding company acquired the bank, which was a subsidiary of White Eagle Financial Group, Inc. on January 23, 1998. Since the last examination as of September 16, 1996, the bank has been primarily a commercial lender, with particular expertise in originating business loans guaranteed by the Small Business Administration (SBA). The table below summarizes the composition of Admiralty Bank's loan portfolio as of March 31, 1998:

LOAN TYPE	PERCENTAGE
Secured by Commercial Real Estate	61.8%
Secured by One-to Four-Family Dwellings	9.0%
Commercial and Industrial	26.4%
Loans to Individuals	2.7%
All Other	0.1%
TOTAL	100.0%

The table above is based upon total dollars of loans outstanding as of March 31, 1998. The balances do not reflect loans originated that are not part of the bank's portfolio, such as loans recently sold to investors. During 1997 and the first quarter of 1998, Admiralty Bank sold a significant number of SBA and commercial loans with balances that are not represented in the table. Consumer loans, represented in the table as loans to individuals, tend to be for substantially smaller amounts than commercial loans. Though the total dollars in consumer loans outstanding amounted to less than three percent of the loan portfolio, the number of consumer credit originations since the last examination is considered significant.

DESCRIPTION OF ASSESSMENT AREA: ADMIRALTY BANK ASSESSMENT AREA

Admiralty Bank's assessment area is made up of 28 census tracts located in the northern part of the West Palm Beach - Boca Raton Metropolitan Statistical Area (MSA). The bank's assessment area is contiguous and encompasses the three banking facilities. According to the 1990 Census, the total population of the assessment area was 105,674, which was less than 13 percent of the total population of the MSA. The West Palm Beach - Boca Raton MSA is growing rapidly in terms of population. The July 1, 1997 estimate of population from the Bureau of the Census estimates an 18 percent population increase for the MSA since 1990.

According to the 1990 Census, the MSA median family income was \$38,539, and that of Admiralty Bank's assessment area was \$47,606. The median family income within the assessment area is considered significantly higher than that of the entire MSA. Also, there are no low-income census tracts in the bank's assessment area. Discussions with community contacts and examination procedures indicated that the bank did not unreasonably exclude any low- or moderate-income areas from the assessment area that it was otherwise capable of serving. Low-income census tracts are identified as tracts having a median family income of less than 50 percent of the MSA's median family income level. Moderate-income census tracts have a median family income of 50 to 80 percent of the MSA's median family income level. The bank's assessment area has 2 moderate-income tracts, 10 middle-income tracts, and 16 upper-income tracts. The table below shows the distribution of population residing in the three census tract categories in the assessment area.

ASSESSMENT AREA POPULATION BY CENSUS TRACT INCOME LEVEL

CENSUS TRACT INCOME LEVEL	POPULATION	PERCENTAGE OF POPULATION
Moderate- Income	3,727	3.5%
Middle- Income	38,168	36.1%
Upper- Income	63,779	60.4%
Total	105,674	100.0%

Though there are no low-income census tracts in the bank's assessment area, there are a significant number of low-income households and families in the assessment area. The table below illustrates the number and percentage of families by income level in the assessment area.

DESCRIPTION OF ASSESSMENT AREA: ADMIRALTY BANK ASSESSMENT AREA (Continued)

NUMBER AND PERCENTAGE OF FAMILIES BY INCOME LEVEL IN THE ASSESSMENT AREA

INCOME LEVEL	NUMBER OF FAMILIES	PERCENTAGE OF TOTAL
Low-Income	3,939	12.7%
Moderate- Income	4,323	13.9%
Middle- Income	6,652	21.4%
Upper- Income	16,106	52.0%
Total	31,020	100.0%

According to the 1990 Census, there were 1,079 families in the assessment area below the poverty level, which are reflected in the above table. There were 44,218 households in the assessment area, with 38,746 housing units in one-to-four family structures, 15,698 additional units in structures of five or more units, and 1,576 mobile home units. Almost 20 percent of these units were rental units, and the median gross rent in the assessment area in 1990 was \$693. Almost 60 percent of the housing units were owner occupied, with a median housing value in 1990 of \$135,019. Only 99 housing units were boarded up (0.1 percent), with the remaining units vacant (19.9 percent). The rental costs and housing values agree with some of the remarks of community members consulted during the conduct of the examination, indicating that the MSA, and to a greater extent the bank's assessment area, are high cost areas when compared to most other areas in the state. The need for affordable housing has been recognized in this part of the MSA, and there are affordable housing initiatives in progress in the town of Jupiter and elsewhere within the assessment area.

According to the U.S. Bureau of Labor Statistics for the fourth quarter of 1995, approximately 38 percent of those employed in the MSA were classified as employed by some form of service business establishment. 26 percent were classified in retail and wholesale trade establishments, and almost 13 percent in government-related employment. The unemployment rate was 6.9 percent for the fourth quarter of 1995 and was 7.2 percent for all of 1995. Unemployment declined to 6.7 percent for 1996, and was estimated to be approximately 5.5 percent at the time of the examination. No major factors were identified that would cause assessment area employment patterns to be unlike those of the entire MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Admiralty Bank's average loan-to-deposit ratio since the last examination is somewhat low; however, it has been on an upward trend approaching a level on par with similarly situated depository institutions serving the area. The mean loan-to-deposit ratio of the five similarly situated depository institutions considered over the same period of time was 59.4 percent, and their individual loan-to-deposit ratios ranged from 43.3 percent to 81.8 percent. The bank's loan-to-deposit ratio of 52.5 percent is mitigated to the extent that the bank has sold recently originated business loans to outside investors. For loans originated during 1997, the sold balances are estimated at \$5.3 million, which if included in the loan portfolio, would have resulted in a loan-to-deposit ratio of approximately 72.3 percent at the end of the first quarter of 1998. Because this effect is considered significant, and both the origination and sale of these loans have been ongoing since the last examination, the loan-to-deposit ratio is considered reasonable.

Lending in Assessment Area

Admiralty Bank's business and consumer lending activities were reviewed to evaluate its CRA performance. Because business loans make up the substantial majority of the bank's loan portfolio, a sample of 69 small loans to businesses originated since the previous examination was selected. Consumer loan volume is significant in terms of the number of loans originated for a bank of this size, and the 47 loans originated since the last examination were reviewed. The consumer loans were made on secured and unsecured bases and were for a variety of purposes, including debt consolidation, personal expenses, and the purchase of new and used vehicles.

The bank originated the majority of its consumer loans inside its assessment area since the last examination. A total of 64 percent were made to addresses inside Admiralty Bank's assessment area. Lending inside the assessment area is not as favorable for the bank's business loans. Only 42 percent of the sample of small loans to businesses were to locations inside the assessment area. The loans originated outside the assessment area were distributed over an extended area of the southeastern Florida region, and were almost all SBA loans. There was no particular concentration of these loans in locations just outside of the assessment area. A significant number of the loans were to businesses in locations that the bank could not be expected to serve for most of its products or services, such as Miami-Dade, Broward, and St. Lucie counties. Community members were consulted during the examination with regard to their perceptions of the community's credit needs and the performance of depository institutions in meeting those needs. When asked, the community contacts indicated that SBA

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

loans were sufficiently available in and around the assessment area. The bank's loan officers are specialists in SBA lending, and significant parts of their business come from referrals and repeat business as a result of their familiarity with and expertise in this type of lending. The fact that this type of expertise is somewhat limited in the region helps explain why some businesses have applied for credit with Admiralty Bank, located over 50 miles away. For most of its financial services, Admiralty Bank is unable to serve such an extensive area given its size, staff, and office locations. For lending inside the assessment area, the bank's performance does not meet the standards for satisfactory performance; however, given the business conditions noted above, this performance is considered in the context of those constraints.

Geographic Distribution of Loans

For small loans to businesses and consumer lending, Admiralty Bank's distribution of loans according to census tract characteristics reflects the demographic makeup of the assessment area. The table below summarizes the geographic distribution of small loans to businesses within the assessment area.

LENDING TO BUSINESSES IN DIFFERENT TYPES OF CENSUS TRACTS

CENSUS TRACT INCOME LEVEL	PERCENTAGE OF ASSESSMENT AREA CENSUS TRACTS	PERCENTAGE OF SMALL BUSINESS LOANS	
		Number of Loans	Dollar Volume
Moderate- Income	7.1%	10%	5%
Middle- Income	35.8%	42%	73%
Upper- Income	57.1%	48%	22%
Total	100.0%	100.0%	100.0%

A comparison of the percentage of census tracts in each income group to the number of small loans to businesses indicates that the distribution of this type of lending is consistent with the assessment area's makeup. The table below summarizes the geographic distribution of consumer loans within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

LENDING TO BORROWERS IN DIFFERENT TYPES OF CENSUS TRACTS

CENSUS TRACT INCOME LEVEL	PERCENTAGE OF TOTAL FAMILIES	PERCENTAGE OF CONSUMER LOANS
Moderate- Income	3.2%	13%
Middle- Income	34.7%	30%
Upper- Income	62.1%	57%
Total	100.0%	100.0%

The table illustrates a favorable distribution of consumer loans according to census tract characteristics. The bank's geographic distribution meets standards for satisfactory performance.

Lending to Businesses of Different Sizes

The bank makes loans to businesses of different sizes and to borrowers of different income levels. Of the small loans to businesses in the assessment area, 72 percent were to businesses with less than \$1 million in revenues. Of these loans, 90.5 percent were for amounts of less than \$100,000. These results demonstrate the bank's willingness to make smaller loans in order to meet the credit needs of small businesses.

Lending to Borrowers of Different Income Levels

The following table summarizes the distribution of consumer loans to borrowers of different income levels inside the assessment area.

LENDING BY BORROWER INCOME LEVEL

FAMILY INCOME LEVEL	PERCENTAGE OF FAMILIES BY INCOME LEVEL	PERCENTAGE OF CONSUMER LOANS
Low-Income	12.7%	26.7%
Moderate-Income	13.9%	33.3%
Middle-Income	21.4%	16.7%
Upper-Income	52.0%	23.3%
Total	100.0%	100.0%

The table shows that low- and moderate-income borrowers have received consumer loans from the bank generally consistent with the demographic makeup of the assessment area. Based on many of the loan purposes observed in the sample, it is understandable that upper- and middle-income families would be less likely to use this type of credit than families with lower incomes. Admiralty Bank meets the

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

standards of satisfactory performance in lending to borrowers of different income levels and businesses of different sizes.

Complaints

No complaints relating to CRA have been filed since the previous examination.

Compliance with Antidiscrimination Laws

No credit practices inconsistent with the substantive provisions of the antidiscrimination laws and regulations were identified. Procedural violations of technical aspects of Regulation B – Equal Credit Opportunity Act were noted.