

PUBLIC DISCLOSURE

January 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank of the Islands
06121437

Sanibel, Florida

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

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 Community Bank of the Islands prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of January 27, 1997. 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 Outstanding.

The bank's assessment area - Sanibel and Captiva Islands - consists of three upper-income census tracts. The bank has been responsive to the needs of the low- and moderate-income borrowers working or residing in the area. The bank's loan-to-deposit ratio, lending in the assessment area, and lending to borrowers of different incomes exceed standards for satisfactory performance. No community investment projects are available for financing or investment in the assessment area. The bank has received no CRA-related complaints.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of Community Bank of the Islands (Community Bank) with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>COMMUNITY BANK OF THE ISLANDS</u> | | |
|--|---|--|--|
| | 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 | Unable to rate. | | |
| Response to complaints | No complaints were received since the previous examination. | | |

DESCRIPTION OF INSTITUTION

Community Bank's main office and its one branch are located in Sanibel, Florida. On October 16, 1995, the bank was acquired by Barnett Banks, Inc., Jacksonville, Florida, as a wholly owned subsidiary. After the merger, the bank's name was unchanged, and the bank retained all its officers. The bank's total assets reported in the September 30, 1996 Consolidated Reports of Condition and Income were \$88.3 million.

The composition of the loan portfolio according to the September 30, 1996 Uniform Bank Performance Report is as follows:

| Loan Type | Percentage |
|--|------------|
| Construction and development | 6.8% |
| Secured by one- to four-family dwellings | 41.3% |
| Other real estate: | |
| Multifamily | .7% |
| Nonfarm nonresidential | 41.2% |
| Commercial and industrial | 5.7% |
| Loans to individuals | 3.9% |
| All other | 0.4% |
| Total | 100.0% |

As indicated in the above table, the bank offers a variety of residential, business, and consumer loan products. The outstanding amount of loans secured by one- to four-family dwellings represents 41.3 percent of the loan portfolio; however, only 13 loans reportable under the Home Mortgage Disclosure Act (HMDA) were made during 1996. The demand for residential loans is minimal because many retirees moving to the area finance their home with their savings or borrow a very small portion of the purchase price. Consistent with the bank's lending strategy, the largest percentage of the loan portfolio consists of nonresidential real estate and commercial loans, many of them secured by one- to four-family dwellings.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Community Bank's assessment area includes three upper-income census tracts in the Fort Myers - Cape Coral, Florida Metropolitan Statistical Area (MSA). According to the U.S. Bureau of Labor Statistics information for 1995, the community is mainly service and retail oriented. The area's economic base is distributed among services to retirees and tourism. The community has a population of 6,016 residents, which increases to approximately 25,000 during the winter tourist season. The assessment area has unique economic characteristics as reflected by a median family income of \$62,622 compared to \$32,212 for the state of Florida; an average housing cost of \$292,915 for a single-family home with 91 percent of the owner-occupied homes valued at more than \$150,000; and a median monthly rent of \$785 compared to \$504 for the MSA and \$481 for the state. The main sources of employment are services, retail, and government.

The four income levels used for the analysis were defined by the regulation using the following percentages of the median family income of the MSA:

| Income Level | Percentage of Median Family Income |
|-----------------|------------------------------------|
| Low-income | Less than 50% |
| Moderate-income | 50% to 79% |
| Middle-income | 80% to 119% |
| Upper-income | 120% and over |

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

| Income Level | Assessment Area | | MSA | |
|-----------------|--------------------|----------------------------|--------------------|----------------------------|
| | Number of Families | Percentage by Income Level | Number of Families | Percentage by Income Level |
| Low-income | 100 | 5.1% | 16,374 | 16.3% |
| Moderate-income | 145 | 7.4% | 20,300 | 20.3% |
| Middle-income | 273 | 13.8% | 25,032 | 25.0% |
| Upper-income | 1,454 | 73.7% | 38,525 | 38.4% |
| Total | 1,972 | 100.0% | 100,231 | 100.0% |

DESCRIPTION OF THE BANK'S ASSESSMENT AREA (CONTINUED)

As indicated above, by far the largest income group in the bank's assessment area is upper-income. This group at 73.7 percent represents nearly twice the percentage of upper-income families in the MSA (38.4 percent).

A City of Sanibel official and the director of a local community development organization were contacted during the examination. Both individuals said that Community Bank is a proactive financial institution and that its management responds effectively to the needs of low-, moderate-, and middle-income residents. They also said that the bank offers loans and services tailored to the needs of local businesses. The city representative mentioned that the directors and officers of the bank have been long-time residents of the community and that their participation with charitable, civic, and cultural affairs of the community helps them to be better informed and to respond to the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Community Bank's average loan-to-deposit ratio for the seven quarters ended September 30, 1996, was 75.8 percent. The loan-to-deposit ratio had minimal fluctuation during that period. Because most depositors are established residents, the bank's ratio was also unaffected during the tourist seasons. A few banks with approximately the same asset size and number of branches have comparable or lower loan-to-deposit ratios ranging from 48 to 65 percent. Also, four very large banks that have one branch in Sanibel and several other offices outside the bank's assessment area have average ratios exceeding 85 percent. However, the bank's ratio compares favorably with the small banks having offices in the area and allows the bank to maintain a favorable liquidity position. The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending in Assessment Area

DISTRIBUTION OF LOANS INSIDE/OUTSIDE ASSESSMENT AREA

| Type of Loan | Number of Loans in Sample | Percentage of Loans Inside Assessment Area | Percentage of Dollar Amount Inside Assessment Area |
|----------------------|---------------------------|--|--|
| Consumer loans | 57 | 100% | 100% |
| Small business loans | 54 | 98% | 97% |

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in Assessment Area (Continued)

The bank's performance in this category exceeds the standards for satisfactory performance. The sample of loans used to perform the analysis revealed that 100 percent of consumer loans and 98 percent of small business loans were extended to borrowers inside the bank's assessment area. This analysis also revealed that 100 percent of the total dollar amount of consumer loans and 97 percent of the total dollar amount of business loans were extended within the assessment area. Members of senior management have been in the area for many years and are active participants in local nonprofit, charitable, and civic organizations. As small community bankers, members of management have developed banking relationships with the local residents, workers, and business entrepreneurs. Also, all but one of the board members are from the bank's community, and they assist in generating local loan demand.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The following table shows the distribution of 48 consumer loans among different borrower income levels. A borrower's income level was determined by comparing his income with the median family income of the MSA.

DISTRIBUTION OF CONSUMER LOANS BY BORROWER'S INCOME COMPARED TO THE PERCENTAGE OF FAMILIES IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL

| Income Level | Percentage of Loans by Volume | Percentage of Loans by Dollar Amount | Percentage of Families in Assessment Area by Income Level |
|-----------------|-------------------------------|--------------------------------------|---|
| Low-income | 21% | 24% | 5.1% |
| Moderate-income | 14% | 10% | 7.4% |
| Middle-income | 19% | 8% | 13.8% |
| Upper-income | 46% | 58% | 73.7% |
| Total | 100% | 100% | 100.0% |

As shown in the table above, the percentage of lending to low-income borrowers greatly exceeded the percentage of low-income families in the assessment area. Although the low-income group makes up only 5.1 percent of the assessment area's families, the bank made 21 percent of its consumer loans to low-income borrowers. Also, a substantial portion of consumer loans (14 percent) was extended to moderate-income

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

borrowers, exceeding the community's 7.4 percentage of moderate-income families. The distribution of total dollar loan amounts by income level also compared favorably to the income makeup of the community. Most of the bank's consumer loans are made in small amounts to accommodate the needs of individuals working in the area. It was noted that 40 (70 percent) of the 57 consumer loans sampled were extended in small loan amounts ranging from \$3,000 to \$11,000. The bank's lending to borrowers of different income levels exceeds the standards for satisfactory performance.

Because the revenues of the businesses were not available for many of the business loans, these loans were analyzed by loan size. Because the area's economic base is distributed among services to retirees and tourism, the demand for small seasonal loans for cash flow purposes is strong. As shown in the following table, the largest portion of the business loans sampled (65 percent) consisted of loans for less than \$100,000.

DISTRIBUTION OF DOLLAR AMOUNT OF LOANS TO SMALL BUSINESSES

| Dollar Amount of Loan | Number of Loans | Percentage of Loans |
|--------------------------|-----------------|---------------------|
| \$750,000 to \$1 million | 0 | 0% |
| \$500,000 to \$749,000 | 2 | 4% |
| \$250,000 to \$499,000 | 5 | 9% |
| \$100,000 to \$249,000 | 12 | 22% |
| Less than \$100,000 | 35 | 65% |
| Total | 54 | 100% |

Geographic Distribution of Loans

A distribution analysis of loans by census tract income levels was not meaningful because of the lack of diverse income levels in the bank's assessment area. As noted under "Description of the Bank's Assessment Area," the assessment area is made up solely of upper-income census tracts.

Investments and Services

The bank has been very supportive of community projects. Community Bank was the only bank financing the first 14 affordable houses for Sanibel's Community Housing & Resources, Inc. For the second phase of the project, a consortium of five banks, which included a one-fifth participation by Community Bank, financed 10 additional homes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Investments and Services (Continued)

The two loans were later repaid by the City of Sanibel, and another loan at a lower rate was obtained from a bank located on the east coast of Florida. No other local community development projects have been available for financing or investment.

The bank's customer services continue to be tailored to customer needs. The bank has a drive-in window and is open on Saturday. After the bank was acquired by Barnett Banks, Inc., the bank's customers were offered several new deposit products that included the following:

- C "Business Super Phone," which provides toll-free telephone access to business account information anytime from anywhere in the U.S.

- C "Sunrise Statement," which provides easy to read, daily fax-transmitted account statements to individuals and businesses. Because payment confirmation is readily available, the service facilitates money management.

- C "Super Pay," which provides a payroll processing service for businesses with as few as one employee. The service is provide by Paychex, Inc., through Barnett Bank.

- C "Barnett Connection," which provides depositors with PC software to be used to access bank account information and perform certain transactions, eliminating trips to the bank or frequent use of telephone communication.

Complaints

No complaints relating to CRA performance have been filed against the bank.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were noted. Personnel involved in the lending process have sufficient knowledge of fair lending issues and how those issues relate to credit applications and the evaluation process. Comprehensive audits and internal review procedures have been beneficial. Also, through periodic employee training, the bank's policy on the fair treatment of all customers has been effectively communicated from senior management to all staff members.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE (AND A DESIGNATED OFFICE IN EACH OF YOUR LOCAL COMMUNITIES) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS JANUARY 27, 1997, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

(Signature of Authorized Officer)

(Title)

COMMUNITY BANK OF THE ISLANDS

(Name of Bank)

SANIBEL, FLORIDA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Community Bank of the Islands
2450 Periwinkle Way
Sanibel, Florida 33957

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Lucy Lebel using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office (and a designated office in each of your local communities) no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Ms. Patricia Hartje
Regional Compliance Manager
Office of the Comptroller of the Currency
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303

Dear Ms. Hartje:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for Community Bank of the Islands, Sanibel, Florida, as of January 27, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Mr. Joel Palmer
Assistant Director II
Regional Operations - Compliance
Office of Thrift Supervision
1475 Peachtree Street, N.E.
Atlanta, Georgia 30309

Dear Mr. Palmer:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for Community Bank of the Islands, Sanibel, Florida, as of January 27, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Mr. Jimmy Loyless
Regional Director
Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1600
1201 West Peachtree Street, N.E.
Atlanta, Georgia 30309-3449

Dear Mr. Loyless:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for Community Bank of the Islands, Sanibel, Florida, as of January 27, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

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PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Name of Bank: COMMUNITY BANK OF THE ISLANDS

City and State: SANIBEL, FLORIDA

Date of Examination: JANUARY 27, 1997

FEDERAL RESERVE BANK OF ATLANTA