

PUBLIC DISCLOSURE

July 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Levy County State Bank
06120175

Chiefland, 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 Levy County State Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of July 14, 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 Satisfactory.

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area's credit needs. A majority of the sampled loans were extended to customers in the assessment area. Lending to borrowers of different incomes and businesses of different revenue sizes is reasonable, and the geographic distribution of loans is excellent. The bank has received no CRA-related complaints since the previous examination. Levy County State Bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

Levy County State Bank operates five banking offices with its home office in Chiefland, Florida. The bank is a wholly owned subsidiary of Capital City Bank Group, Inc., Tallahassee, Florida, a four-bank holding company with assets over \$1 billion. According to the March 31, 1997 Consolidated Reports of Condition and Income, the bank reported assets totaling \$80.9 million. No legal or financial impediments exist that would prevent the bank from meeting the credit needs of its assessment area. The bank received a satisfactory CRA rating at its previous evaluation as of May 20, 1996.

Levy County State Bank is a retail banking institution with a strong focus on consumer and small business lending. Consumer loans can be requested for automobile purchases (new and used), home improvement, lines of credit, and personal expenses. Real estate loans for the construction, purchase, or rehabilitation of one- to four-family and multifamily housing are available. Additionally, commercial loans are extended to finance expansion and growth, develop new products, add or replace equipment, or cover the cost of inventory. Loans for other legitimate business purposes are also considered. The composition of the loan portfolio according to the March 31, 1997 and March 31, 1996 Uniform Bank Performance Reports is as follows:

Loan Type	Percentage	
	3/31/97	3/31/96
Construction and development	1.8	3.5
Secured by one- to four-family dwellings	60.9	53.3
Other real estate:		
Farmland	3.0	3.6
Multifamily	1.5	1.9
Nonfarm nonresidential	10.5	14.7
Commercial and industrial	.7	0.6
Loans to individuals	16.7	15.2
All other	4.9	7.2
Total	100.0	100.0

Loans secured by one- to-four family dwellings make up the greatest percentage of the bank's loan

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portfolio. First lien mortgages are the largest portion of loans secured by one- to four-family dwellings. The increase in loans secured by one- to four-family dwellings is a result of increased demand fueled by a strong economy and low interest rates.

DESCRIPTION OF ASSESSMENT AREA: LEVY COUNTY, FLORIDA

Population, Age, and Income Data

The bank's assessment area includes all of Levy County, Florida. The county seat of Levy County is Bronson, Florida. The bank's assessment area is not located in a metropolitan statistical area (MSA). The assessment area consists of seven block numbering areas (BNAs). None of the BNAs are low-income; two are moderate-income; five are middle-income; and none are upper-income. The bank operates four offices in middle-income BNAs and one office in a moderate-income BNA in Williston, Florida.

The total population of the assessment area as of the 1990 Census was 25,923. 24.4 percent of the population is under the age of 18 and not eligible to borrow from a bank. 18.9 percent of the population is at or over the age of 65, further reducing the number of persons that are likely to borrow. 23.9 percent of the assessment area's residents live in moderate-income BNAs, and 76.1 percent live in middle-income BNAs. As a result, it is expected that a large percentage of the loans would be originated in middle-income BNAs.

The assessment area contained 7,459 families¹ as of the 1990 Census, and the median family income was \$22,746. 26.3 percent of total families are low-income; 19.4 percent are moderate-income; 21.5 percent are middle-income; and 32.8 percent are upper-income. Of the total families, 16.6 percent live below the poverty level.

Housing Data

According to the 1990 Census data, the bank's assessment area contained 12,307 housing units. 8,248 (67.0 percent) were owner-occupied units; 1,831 (14.9 percent) were rental units; and 2,228 (18.1 percent) were vacant units. The median housing value for the assessment area was \$48,983. The median gross rent was \$297, which was considerably lower than the \$481 median for the state of Florida. Median gross rent is the

¹Families consist of a household and one or more other occupants related to the householder by birth, marriage, or adoption. Therefore, a single person living alone or two or more unrelated individuals living together are not considered to be a family.

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contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water) and fuels (oil, coal, kerosene, wood, etc.).

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

Economic Data

According to the Regional Economic Information System, establishment employment in Levy County increased by 13.3 percent between 1990 and 1994. Establishment employment is an estimate of full-time and part-time jobs by major source and standard industrial classifications. Retail trade and service industries account for most of the jobs in Levy County. Per capita income increased by 17.3 percent from 1990 to 1994. According to 1993 county business patterns information, business establishments in Levy County totaled 495. Of these establishments, 480 (97 percent) employed fewer than 50 persons. According to the Bureau of Labor Statistics, the unemployment rate for Levy County as of April 1997 was 4.0 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and the assessment area's credit needs. The bank's average LTD ratio for the five quarters ended March 31, 1997, was 61.2 percent. Between March 31, 1996, and March 31, 1997, the bank's LTD ratio increased from 56.8 percent to 61.6 percent. During this time frame, net loans increased by \$2.0 million while total deposits experienced a net decrease of \$2.3 million. Most of the increase in loans was noted in residential real estate loans. According to management, the net decrease in total deposits was caused primarily by withdrawals of funds deposited by political entities. These deposits are cyclical in nature, and their amount fluctuates significantly throughout the year. The average LTD ratios of other banks in the area ranged from 69.8 percent to 77.1 percent. The following chart depicts the asset size, number of branches, average LTD ratio, and the change in loans and deposits between March 31, 1996, and March 31, 1997, for the bank and its competitors.

Name of Bank	Asset Size (\$000)	Number of Branches	Net Increase in Loans (\$000)	Net Increase in Deposits (\$000)	Average LTD Ratio
Levy County State	80,925	5	2,000	(2,330)	61.2
Drummond	59,870	3	3,000	524	77.1

Community					
Perkins State	101,203	3	7,983	5,948	69.8

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Loan-to-Deposit Ratio (Continued)

As indicated by the chart above, Levy County State Bank has more branches than its competitors but a lower LTD ratio. The increase in net loans for each of the three financial institutions is an indication of strong loan demand locally; however, the competitive environment has prevented Levy County State Bank from attracting a larger share of the loans and caused its LTD ratio to remain lower. Had it not been for a considerable decline in total deposits, the bank's LTD ratio would have been even lower in comparison to its competitors.

Lending in the Assessment Area

To evaluate the bank's performance, consumer motor vehicle loans and small business loans originated from January 1997 through May 1997 were geocoded and analyzed. A small business loan is defined as a business loan originated in an amount of \$1 million or less. A small business is defined as a business with gross annual revenues of \$1 million or less. The analysis was used to determine the percentage of loans inside the assessment area, the pattern of lending to borrowers of different income levels and businesses of different sizes, and the geographic distribution of loans.

106 motor vehicle loans and 61 small business loans were analyzed. The motor vehicle loans consisted of 52 indirect loans and 54 direct loans. 53 (50 percent) of the consumer motor vehicle loans and 50 (82 percent) of the small business loans were originated inside the bank's assessment area. Overall, 103 (61.7 percent) of the loans were inside the assessment area. The motor vehicle loans outside the assessment area were made primarily to individuals who work in Chiefland but live outside the assessment area. As far as total dollar amount for the consumer motor vehicle and small business loans, \$2.4 million (59.4 percent) of \$4.1 million was inside the bank's assessment area. Levy County State Bank's lending within the assessment area meets the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

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Lending to borrowers of different incomes and businesses of different sizes meets the standards for satisfactory performance. The bank's lending to borrowers of various income levels in the assessment area based on consumer motor vehicle loans is detailed below.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

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

Income Level of Borrower	Consumer Motor Vehicle Loans		Percentage of Total Families In Assessment Area
	Number	Percent	
Low	14	26.4	26.3
Moderate	16	30.2	19.4
Middle	14	26.4	21.5
Upper	9	17.0	32.8
Total	53	100.0	100.0

The percentage of loans to low-income borrowers was comparable to the percentage of low-income families in the assessment area, whereas the percentage of loans to moderate-income borrowers greatly exceeded the percentage of moderate-income families. The percentage of lending to low- and moderate-income borrowers indicates the bank's willingness to meet the credit needs of all borrowers regardless of income level. The percentage of loan originations to middle-income borrowers was slightly higher than the percentage of middle-income families. The percentage of loans to upper-income borrowers was less than the percentage of upper-income families but is not of great concern because upper-income borrowers usually have more alternatives for seeking financing than low- and moderate-income borrowers.

Of the 50 small business loans in the bank's assessment area, 49 reported revenue or income information. Of the 49 loans, 20 reported business revenues and 29 reported borrower income. All 20 loans that reported business revenues were to businesses with annual revenues of \$1 million or less. Of the loans originated based on borrower income, seven (24.1 percent) were to low- and moderate-income borrowers. This indicates the bank's desire to meet the credit needs of low- and moderate-income borrowers in the business community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

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

The chart below depicts the distribution of business loans by loan size.

Amount of Loan	Based on Business Revenues		Based on Borrower Income	
	Number of Loans	Percentage of Loans	Number of Loans	Percentage of Loans
\$100,000 or less	17	85	29	100
\$100,001 to \$250,000	2	10	0	0
\$250,001 to \$1 million	1	5	0	0
Total	20	100	29	100

Most (93.9 percent) of the business loans were in amounts of \$100,000 or less. 20 (40.8 percent) were in amounts less than \$10,000. This indicates the bank's willingness to meet the credit needs of very small businesses.

Geographic Distribution of Loans

The table below shows the distribution of loans by geographies and summarizes the bank's lending in terms of the income characteristics of the geographies and the percentages of families residing in those geographies.

Income Level of Geography	Consumer Motor Vehicle Loans		Small Business Loans		Percentage of Families
	Number	Percent	Number	Percent	
Moderate	22	42	22	44	24
Middle	31	58	28	56	76

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Total	53	100	50	100	100
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CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

As indicated by the chart above, the assessment area contains no low- or upper-income BNAs. The majority of both the motor vehicle loans and the small business loans were originated in middle-income BNAs. The percentage of loans originated in moderate-income BNAs is greater than the percentage of families who live in those areas. While moderate-income BNAs are home to 24 percent of the assessment areas families, they received 43 percent of the loans. The following chart indicates the number of consumer motor vehicle and small business loans originated in each BNA in the bank's assessment area.

Block Numbering Area	Consumer Motor Vehicle Loans		Small Business Loans	
	Number	Percent	Number	Percent
9701	13	24.5	6	12.0
9702	21	39.6	12	24.0
9703	6	11.3	6	12.0
9704	2	3.8	10	20.0
9705	8	15.1	4	8.0
9706	2	3.8	2	4.0
9707	1	1.9	10	20.0

As indicated by the chart above, all BNAs had loan activity. BNAs 9701, 9702, and 9703 had the most loan activity. BNAs 9702 and 9703 are in Chiefland, where the main office is located, and BNA 9701 is located in Bronson, the second largest city in Levy County. Overall, 75 percent of the consumer motor vehicle loans and 48 percent of the small business loans were originated in these BNAs. Two of the bank's five offices are located in these BNAs. The distribution of loans by geographies exceeds the standards for satisfactory performance.

Complaints

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

examination.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of antidiscrimination laws and regulations were noted. Personnel involved in the lending process are familiar with fair lending issues and how they relate to credit application and the evaluation process. Through periodic training, the bank's policy on fair treatment of all customers has been communicated from senior management to all staff members.

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