



PUBLIC DISCLOSURE

January 19, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank and Trust
Charter Number 10697

111 South Main Street
Atmore, AL 36504

Office of the Comptroller of the Currency
Birmingham Field Office
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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 COMMUNITY REINVESTMENT ACT (CRA) RATING:
This institution is rated Satisfactory.**

First National Bank and Trust (FNB&T or Bank) has a **satisfactory** record of meeting community credit needs. This assessment is based on the following:

- The level and trend of the loan-to-deposit ratio is reasonable given the Bank's size, financial condition, economic environment, and assessment area (AA) credit needs.
- The majority of the Bank's loans are inside its AA.
- Analysis reflects reasonable penetration among borrowers of different incomes and businesses of different sizes within the AA.
- Analysis reflects reasonable dispersion of home loans and business loans throughout the AA.
- The Bank did not receive any CRA- related complaints during this evaluation period.

SCOPE OF EXAMINATION

This performance evaluation is an assessment of FNB&T's ability to meet the credit needs of the communities in which it operates. We evaluated FNB&T's performance using Small Bank performance criteria, which consists of a lending test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period for this assessment is July 21, 2009 through January 19, 2016. However, we utilized loan data from January 1, 2013 through September 30, 2015 for the lending analysis, as this period is indicative of lending practices throughout the evaluation period.

We identified FNB&T's primary products, residential mortgage and commercial loans, based on the number and dollar volume of loans originated during the evaluation period. We selected a sample of 20 loans for each primary product for the lending test analysis. Furthermore, we contacted two members of the community to better assess community needs and determine opportunities for financial institutions to lend and provide services to the area.

DESCRIPTION OF INSTITUTION

FNB&T is a national bank with total assets of \$127 million at September 30, 2015. The Bank is wholly owned by First Suncoast Trust Bancshares, Inc., a one-bank holding company located in Atmore, AL. FNB&T has four banking offices and four automated teller machines located in the AA. FNB&T also has two branded ATMs, both located in Walgreens convenience stores in the area. The Bank's previous CRA rating, dated January 20, 2009, was "Satisfactory."

FNB&T is a community bank with a focus on residential and commercial lending. The Bank offers 1-4 family mortgage loans to residential borrowers for home construction, purchase, refinance, and improvement. The Bank also offers commercial and industrial loan products to manufacturers, wholesalers, retailers, service industries, construction companies, local government, and small businesses. FNB&T offers various deposit products, including personal checking, savings, money market, business checking accounts, certificates of deposits, and cash management services. The Bank also offers online banking to its customers.

The table below provides details of the Bank's loan composition as of September 30, 2015.

Loan Portfolio Composition as of September 30, 2015		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Commercial Real Estate	\$22,739	33.06%
Commercial and Industrial	\$7,526	10.94%
Total Commercial Loans	\$30,265	44.00%
Residential Real Estate	\$21,547	31.33%
Agricultural	\$10,139	14.74%
Consumer	\$5,562	8.09%
Other loans	1,268	1.84%
Total Loans	\$68,781	100%

Source: September 30, 2015 Call Report

We found no legal or regulatory impediments adversely affecting the Bank's ability to help meet community credit needs during this CRA evaluation review period.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB&T has designated both Escambia County and Monroe County as its CRA assessment areas. Since these AAs are contiguous and have similar characteristics, we combined them for CRA examination purposes. The AA meets regulatory requirements and does not arbitrarily exclude any low-or moderate-income areas. The AA consists of 16 census tracts with a total population of 61,387. Of the 16 census tracts, there is one low-income tract, six moderate-income tracts, six middle-income tracts, and three upper-income tract. This represents a change in the composition of the AA census tracts from the previous CRA examination when the 16 tracts consisted of no low-income tracts, three moderate-income tracts, twelve middle-income tracts, and one upper-income tract. Although there is only one low-income tract in the AA, there is dispersion of low-income households throughout all census tracts. The 2015 HUD-adjusted median family income for the AA is \$47,000 and 24.25 percent of households live below the poverty level.

The primary needs of the community, identified by one community contact, are small business loans and economic development to create jobs. Both community contacts also stated financial literacy is a need within the community. The community contacts stated that FNB&T, as well as other financial institutions in the area, have shown a commitment to meeting the community's needs. The OCC also received a letter from the Alabama Multifamily Loan Consortium stating that FNB&T regularly participates in loans that provide permanent financing for low- and moderate-income apartment communities in Alabama.

Escambia/Monroe County AA

The Escambia/Monroe County AA is comprised of two counties, Escambia and Monroe Counties, Alabama. These counties are contiguous, located in south Alabama just north of the Florida state line.

The following table shows the demographic and economic characteristics of the AA.

Demographic Information for Escambia/Monroe County Assessment Area						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	16	6.25%	37.50%	37.50%	18.75%	0.00%
Population by Geography	61,387	2.83%	38.15%	35.63%	23.39%	0.00%
Owner-Occupied Housing by Geography	16,936	1.94%	38.62%	34.49%	24.95%	0.00%
Businesses by Geography	3,164	7.52%	32.40%	26.93%	33.15%	0.00%
Farms by Geography	198	4.55%	32.32%	41.41%	21.72%	0.00%
Family distribution by Income Level	15,731	2.78%	39.74%	32.98%	24.50%	0.00%
Household Distribution by Income Level	22,995	4.82%	46.62%	32.36%	16.20%	0.00%
Median Family Income, last Census 2010		\$40,861				
HUD Adjusted Median Family Income for 2015		\$47,000				
Households Below Poverty Level		24.25%	Unemployment Rate			5.22%
% Businesses with Revenues <\$1 million		74.84%	% Farms with Revenues <\$1 million			98.99%
% Businesses with Revenues >\$1 million		4.68%	% Farms with Revenues >\$1 million			0.51%

Source: 2010 U.S. Census data; 2015 HUD updated income data; Bureau of Labor Standards.

* The N/A category consists of geographies that have not been assigned an income classification.

Escambia and Monroe Counties had unemployment rates of 6.40 percent and 9.50 percent, respectively at December 2015, per the Bureau of Labor Statistics. This exceeds the national unemployment rate of 5 percent and the Alabama unemployment rate of 6 percent. The AA's local economy is stable, despite the high poverty rate. Economic activity in the area primarily consists of gaming, agriculture, and manufacturing. Since the previous CRA evaluation in 2009, the Wind Creek Casino has become the area's primary employer. Other major employers in the area consist of the Escambia Board of Education, the Department of Corrections, Georgia Pacific, and Masland Carpets.

Competition from other financial institutions is moderate. The Bank's competitors include a large regional bank, other local community banks, and a credit union.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

FNB&T's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The LTD ratio averaged 64.25 percent over the 25 quarters since the last CRA examination, with a quarterly high of 80.96 percent at September 30, 2009, and a quarterly low of 49.93 percent at September 30, 2013.

FNB&T’s LTD ratio compares favorably to other community institutions of similar size, location, and product offerings. FNB&T ranks second among five similarly situated institutions serving its AA. The other five banks had a combined average LTD ratio of 47.94 percent over the CRA review period.

The following table reflects FNB&T’s and similarly situated institutions LTD ratios over the review period of September 30, 2009, through September 30, 2015:

Loan-To-Deposit Ratios		
Institution	Total Assets (in 000s) as of	Average Loan-to- Deposit
<i>First National Bank and Trust</i>	<i>\$126,867</i>	<i>64.25%</i>
United Bank	\$504,911	62.65%
Escambia County Bank	\$80,284	32.57%
Bank of Brewton	\$49,949	36.17%
First Progressive Bank	\$31,051	36.69%
Peoples Exchange Bank of Monroe County	\$62,034	71.63%

Source: Institution Reports of Condition for the 25-quarter period from September 30, 2009 to September 30, 2015.

Lending in Assessment Area

During the review period, FNB&T originated a majority of residential and commercial loans inside the AA. The Bank originated 75 percent of the total number of loans, and 59 percent of the total dollar amount of loans inside the AA.

The following table details lending within the AA by number and dollar amount during the evaluation period.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans	18	90.0%	2	10.0%	20	\$1,056	75.5%	\$343	24.5%	\$1,399
Commercial Loans	12	60.0%	8	40.0%	20	\$1,287	50.3%	\$1,274	49.7%	\$2,561
Totals	30	75.0%	10	25.0%	40	\$2,343	59.2%	\$1,617	40.8%	\$3,960

Source: Loan sample – 20 residential loans and 20 commercial loans

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

The Bank’s lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance.

Residential Lending

FNB&T’s residential lending to borrowers of different income levels reflects reasonable penetration. Low- and moderate-income families represent 26 percent and 19 percent, respectively, of the AA’s families. The Bank’s penetration of lending to low-income borrowers is below the demographic comparator, at 15 percent, while penetration of lending to moderate-income borrowers is near to the demographic comparator at 15 percent. Poverty levels in the AA are elevated, as 36 percent of low-income families and 26 percent of moderate-income families live below the poverty level. This high rate of poverty impedes the Bank’s ability to originate home loans to qualified low- and moderate-income borrowers.

The following table shows the distribution of residential loans among borrowers of different incomes, within the Escambia/Monroe County AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in 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
Residential Loans	26.42%	15.00%	18.97%	15.00%	15.61%	25.00%	39.01%	45.00%

Source: Loan sample; U.S. Census data

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Table 2A shows that 75 percent of businesses in the Escambia/Monroe County AA are small businesses, with annual revenues of less than \$1 million. During the sampling period, the Bank originated 85 percent of the number of business loans to small businesses, and 69 percent of the dollar volume. The Bank’s penetration of lending to small businesses by number exceeds the demographic comparator, and by dollar volume is near to the demographic comparator.

The following table shows the distribution of commercial loans among businesses of different sizes in the Escambia/Monroe County AA.

Table 2A - Borrower Distribution of Loans to Businesses in Escambia-Monroe Co AL 15 AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.84%	4.68%	20.48%	100%
% of Bank Loans in AA by #	85.00%	15.00%	0.00%	100%
% of Bank Loans in AA by \$	68.52%	31.48%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects a reasonable dispersion throughout census tracts of different income levels. There are minimal opportunities for lending to the one low-income census tract in this AA.

Residential Loans

The Bank’s geographic distribution of home loans in the AA reflects reasonable dispersion among borrowers in low- and moderate-income census tracts. Owner-occupied housing in the low-income census tract represents only 1.94 percent of AA housing, indicating very limited lending opportunities. For this reason, the Bank originated no residential loans in the low-income census tract. Owner-occupied housing in moderate-income census tracts represents 39 percent of AA housing. The Bank originated 35 percent of total residential loans within the moderate-income census tracts, near to the demographic comparator. The Bank’s performance meets the standard for satisfactory geographic distribution of credit throughout census tracts of different income levels.

The following table shows the geographic distribution of home loans within the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Loans	1.94%	0.00%	38.62%	35.00%	34.49%	40.00%	24.95%	25.00%

Source: Loan sample; U.S. Census data

Business Loans

The Bank’s geographic distribution of business loans in the AA reflects reasonable dispersion among businesses in low- and moderate-income census tracts. While the Bank did not originate any business loans within the AA’s one low-income census tract, opportunities to lend in this census tract were limited, as businesses located in the low-income census tract totaled only 8 percent. Businesses located in moderate-income census tracts represent 32 percent. The Bank’s lending to businesses within the moderate-income census tracts exceeded the demographic comparator, at 40 percent, and reflects excellent dispersion.

The following table shows the geographic distribution of business loans within the AA.

Table 3A - Geographic Distribution of Loans to Businesses in Escambia-Monroe Cty AL 15 AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Businesses	7.52%	0.00%	32.40%	40.00%	26.93%	10.00%	33.15%	50.00%

Source: Loan sample; Dunn and Bradstreet data

Responses to Complaints

FNB&T has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a National Bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank, or in any assessment area by an affiliate whose loans have been considered as part of the Bank's lending performance.

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