

# **PUBLIC DISCLOSURE**

**August 10, 1998**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Quincy State Bank  
21295**

**4 East Washington Street  
Quincy, Florida 32351**

**Federal Deposit Insurance Corporation**

**One Atlantic Center, Suite 1500  
1201 West Peachtree Street, NE  
Atlanta, Georgia 30309-3415**

**NOTE: 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.**

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## 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 **Quincy State Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **August 10, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **SATISFACTORY**.

An assessment of the bank's CRA performance reflects a sincere commitment to meeting the credit needs of the assessment area. The bank's performance during 1997 and through the examination date of August 10, 1998, was considered during this evaluation. Individual ratings for the Lending, Investment, and Service Tests are displayed in the matrix on page 3. Performance in each of these three areas is summarized below.

### **LENDING TEST**

The bank's lending levels for consumer purpose and small business loans demonstrate a good response to community credit needs. Lending within the assessment area and the geographic distribution of loans throughout the assessment area also meets the standards of performance. The bank has not originated any qualified community development loans and only offers one loan program which is considered flexible.

### **LENDING TEST - Continued**

The bank has experienced tremendous success in extending credit to individuals of different income levels and businesses of varying sizes in small amounts. The bank's performance relative to consumer purpose loans received the most weight during the evaluation, since the bank is primarily a consumer lender. However, a review of small business loans revealed that the bank has been effective in providing small loans to small businesses as well, further supporting an above average performance in this area.

### **INVESTMENT TEST**

The bank has made an adequate level of qualified investments, via bond investments and donations, within the assessment area. Although not particularly innovative or complex, the bond investments helped to economically stabilize the local government of a moderate-income geography in the bank's assessment area.

### **SERVICE TEST**

The bank's retail banking and community development services reasonably serve the assessment area. The bank operates four retail branch offices, three of which are located in moderate-income geographies. Delivery systems consist primarily of branches which are accessible to essentially all portions of the assessment area. Retail banking hours are reasonable and the bank offers several low cost deposit products. The bank has one automated teller machine which is located at the main office in Quincy. This automated teller machine is not considered readily accessible to the residents of the western portion of the county. However, depositors can access their accounts through non-proprietary automated teller machines using various networks. Bank employees lend their time and financial expertise to two community development organizations that serve the assessment area.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE:**

*The following table indicates the performance level of **Quincy State Bank** with respect to the lending, investment, and service tests.*

<b>PERFORMANCE LEVELS</b>	<b><u>Quincy State Bank</u></b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

## DESCRIPTION OF INSTITUTION

The Quincy State Bank was chartered for business on August 20, 1889 and is Florida's first state-chartered commercial bank. The bank employs 46 full-time and 12 part-time people. The main office is located in the city of Quincy, a moderate-income area of Gadsden County, Florida. Gadsden County is located in the northwest portion of the state bordering the Apalachicola River on the west and the state of Georgia on the north. The city of Quincy is located approximately 20 miles west of the City of Tallahassee, the state capital of Florida. The bank also operates three other branch facilities in Gadsden County.

As of June 30, 1998, the bank had \$104,394,000 in total assets. Assets are primarily invested in loans which total \$60,857,000, or 58 percent of total assets. Investments total \$26,909,000, or 26 percent of total assets. The bank has experienced a modest growth rate of 9 percent since the previous evaluation. Total assets as of the previous evaluation, dated May 26, 1995, were \$95,602,000.

The bank is primarily a consumer lender. Loans to individuals totaled \$16,218,000, or 27 percent of total loans and leases as of June 30, 1998. Consumer loans include personal (secured and unsecured), personal property (automobile, boat, motor, trailer, aircraft, etc.), letters of credit, debt consolidation, and loans for educational expenses. The bank also originates a significant amount of real estate loans. Commercial mortgages total \$14,391,000, and represent 24 percent of the portfolio. Loans secured by 1 to 4 family residential properties and loans for construction and land development total \$11,808,000 and \$8,542,000, respectively.

The bank also extends a significant amount of loans to businesses. Commercial and industrial loans total \$8,747,000 and represent 14 percent of the portfolio. Commercial loans offered include: secured, unsecured, equipment, material, working capital, inventory, receivables, letters of credit, and debt consolidation. The bank also offers loans for agricultural purposes.

The financial condition of the bank is strong. Financial condition is analyzed using several methods and ratios. Two of the most common ratios are the Tier 1 Leverage Capital and the Return of Assets. The following describes the components of the ratios:

- ▶ Tier 1 Leverage Capital ratio - the sum of the bank's common stockholder's equity, noncumulative perpetual preferred stock (including any related surplus), and minority interests in consolidated subsidiaries, minus all intangible assets, divided by adjusted total assets. Part 325 of the FDIC's Rules and Regulations defines one of the components of a "well-capitalized" bank as having a leverage ratio of 5.0 percent or greater.
- ▶ Return on Assets ratio - net operating income divided by average assets. There are no regulatory requirements defined in the FDIC's Rules and Regulations for this ratio but 1.00 percent or greater is an industry standard for a profitable institution.

## **DESCRIPTION OF INSTITUTION (Continued)**

The bank's Tier 1 Leverage Capital ratio as of June 30, 1998, was 7.85 percent. Institution's that are considered similar, or peer, to Quincy State Bank had a ratio of 8.01 percent. The bank's Return on Assets ratio was 1.81 percent as of June 30, 1998. The Return on Assets ratio for peer banks was 1.00 percent. Both ratios evidence the bank's strong financial condition. There are no legal impediments which impact the bank's ability to meet the assessment areas credit needs.

## **DESCRIPTION OF BANK HOLDING COMPANY**

Quincy State Bank is a wholly-owned subsidiary of Synovus Financial Corporation (Synovus). Synovus Corporation is a multi-bank southeast regional holding company headquartered in Columbus, Georgia. Synovus owns 34 banks in Georgia, Alabama, Florida, and South Carolina. Synovus employs 8,149 people in its banking and other subsidiaries. As of December 31, 1997, total assets were \$9,260,331,000 which ranks Synovus as the 65th largest holding company in the nation.

The Synovus banking subsidiaries offer the traditional deposit and credit services. There are 21 banks in Georgia, 7 in Alabama, 5 in Florida, and 1 in South Carolina. Through various other subsidiaries Synovus offers card processing, trust services, investment banking, and mortgage banking services.

The 1997 Letter to Shareholders, included in the annual report, states that 1997 was another record year of financial performance for Synovus. Stockholders received a 19.80 percent return on their investment, which slightly exceeded their 1996 performance of 19.49 percent. The return on average assets ratio (ROA) was 1.87 percent, which also slightly exceeded the company's 1996 performance of 1.75 percent.

Each subsidiary bank is allowed a high degree of autonomy. The 1997 Annual Report states that "Decision making power is at the local level because our decentralized management structure empowers the individual team member as well as the bank team. Empowered individuals provide the absolute best service, which in turn, leads to greater value for all our shareholders."

## DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will concentrate its lending efforts. The Federal Deposit Insurance Corporation (FDIC) evaluates the institution's CRA performance based on the defined assessment area.

The bank has defined its assessment area as Gadsden County, which meets the requirements of the regulation. There are 9 census tracts in the county which is part of the Tallahassee, Florida, Metropolitan Statistical Area (MSA#8240). On-site examination procedures were conducted for the assessment area.

Census tracts are classified into income categories based on the median family income of \$34,476 in the Tallahassee MSA from the 1990 census data. The following details the census tract categories:

- *Low-income:* the overall median family income equals less than 50 percent of the MSA median family income from the 1990 census data.
- *Moderate-Income:* the overall median family income is at least 50 percent but less than 80 percent of the MSA median family income from the 1990 census data.
- *Middle-Income:* the overall median family income is at least 80 percent but less than 120 percent of the MSA median family income from the 1990 census data.
- *Upper-Income:* the overall median family income is more than 120 percent of the MSA median family income from the 1990 census data.

The following table details the census tracts within Gadsden County.

GADSDEN COUNTY INCOME LEVEL	NUMBER OF CENSUS TRACTS IN ASSESSMENT AREA	PERCENT OF TOTAL
LOW	0	0
MODERATE	7	78%
MIDDLE	2	22%
UPPER	0	0
<b>TOTAL</b>	<b>9</b>	<b>100%</b>

**DESCRIPTION OF ASSESSMENT AREA (Continued)**

As demonstrated in the previous table, there are no census tracts that are classified as low-income or upper-income within the county. However, there are families who reside within Gadsden County that are classified into each one of the four income categories. There are 10,186 families who reside within the county. The following table details the number of families within each income category.

<b>INCOME LEVEL</b>	<b>NUMBER OF FAMILIES</b>	<b>PERCENT OF TOTAL</b>
LOW	3,840	38%
MODERATE	1,884	18%
MIDDLE	2,063	20%
UPPER	2,399	24%
<b>TOTAL</b>	<b>10,186</b>	<b>100%</b>

As the following table demonstrates, the population of the county is primarily centered in the moderate-income census tracts.

<b>CENSUS TRACT INCOME LEVEL</b>	<b>POPULATION</b>	<b>PERCENT OF TOTAL</b>
MODERATE	34,840	85%
MIDDLE	6,265	15%
<b>TOTAL</b>	<b>41,105</b>	<b>100%</b>

**DESCRIPTION OF ASSESSMENT AREA (Continued)**

The following is a demographic, housing, and economic profile of the census tracts in Gadsden County.

*Demographics* ( from 1990 census data)

- Population: 41,105 - Population for entire MSA: 223,598
- Population Growth for 1997: 0.8% - Population Growth in Florida for 1997: 1.9%
- Persons in Correctional Institutions: 1,504  
Institutionalized Persons in Nursing Homes: 223  
Persons in Group Quarters: 473
- Family Income Distribution:  
38% low-income; 18% moderate-income; 20% middle-income; 24% upper-income
- Families living below the poverty level:  
22% of the total families  
58% of low-income families

*Housing* ( from 1990 census data)

- Occupancy: 68% owner-occupied; 22% renter; 10% vacant
- Housing Type: 69% one-to-four family units; 3% five or more units; 26% mobile homes, 2% other
- Median Age: 17 Years
- Median Housing Value: \$39,702 - Median Home Value for Florida: \$91,587
- Affordability Ratio: 0.50\*
- Single-family residential permit issuance decreased 22.4% since 1996
- No multifamily construction since 1995

*Economy* ( from the U.S. Bureau of Labor Statistics and 1990 census data)

- Unemployment in Gadsden County: 4.9%  
Unemployment in Florida: 4.8%
- Major industries: Agriculture-related (nurseries) - 30%  
Government (including correctional, educated, and legislative) - 25%  
Services - 22% of total employment
- Total Number of Business Establishments in Gadsden County: 607  
Small Business Establishments (<50 employees): 584 (96% of total)

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\*Calculated by dividing the median household income by the median housing value. Values closer to 1.0 indicate greater flexibility.

## **METROPOLITAN AREAS**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN GADSDEN COUNTY, FLORIDA:**

The Quincy State Bank operates four offices in Gadsden County. The main office is located in a middle-income census tract and other three offices are located in moderate-income census tracts.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GADSDEN COUNTY, FLORIDA**

#### **LENDING TEST**

##### *Scope of Test*

The lending test evaluates the bank's record of helping to meet the credit needs of its assessment area by considering a bank's home mortgage, small business, small farm, and community development lending. A bank's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area; 3) the dispersion of loans in the assessment area; 4) the distribution of loans among borrowers of different income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices.

This evaluation will primarily discuss the bank's origination of consumer loans. As will be demonstrated, the bank originates numerous consumer loans. Although the bank does not originate a large amount of small business loans, this evaluation will also present and analyze the data that was reported.

This evaluation will briefly discuss the bank's origination of Home Mortgage Disclosure Loans (loans for the purchase, refinance, or improvement of homes) and small farm loans under "Lending Level" but will not analyze these loans any further because the bank originates few loans of these types. Bank officers refer HMDA loans to the mortgage banking subsidiary of the holding company. The bank does not originate many small farm loans because farming does not play a large role in the community.

There were no affiliate loans considered in the lending test.

##### *Lending Levels*

Lending levels demonstrate a good response to community credit needs and meets the standards for performance. The loan portfolio totals \$60,857,000 as of June 30, 1998, and represents 58 percent of the total asset base. Net loans and leases (reduced by the \$990,000 loan loss reserve) represent 72 percent of total deposits of \$84,423,000 as of June 30, 1998.

As previously mentioned, the bank is primarily a consumer lender. From January 1, 1997, through the evaluation date, August 10, 1998, the bank originated 947 consumer purpose loans totaling \$7,920,279.

During 1997, the bank originated 43 small business loans totaling \$1,515,000. The bank's lending performance during 1997 placed it second in loans originated by all lenders in Gadsden County. From January 1, 1998, through June 16, 1998, the bank originated 19 small business loans totaling \$597,000. A small business loan for CRA is defined in the instructions for the preparation of the Consolidated Reports of Condition and Income. The Consolidated Reports of Condition and Income defines loans to small businesses as loans with original amounts of \$1 million or less that are secured by non-farm non-residential properties as well as commercial and industrial loans with original amounts of \$1 million and less. Large banks were required to maintain data regarding lending to these small businesses beginning on January 1, 1996.

A review of the 1997 HMDA Loan Application Register and Disclosure Statement reveals that the bank originated 25 loans totaling \$1,072,000. For 1998, the bank originated 16 loans totaling \$401,000 through the examination date of August 10, 1998. During 1997, the bank originated 6 small farm loans totaling \$62,000, and one loan for \$10,000 through June 16, 1998. By definition, a small farm loan has an original loan amount of \$500,000 or less.

***Assessment Area Concentration***

The bank's lending within its assessment area meets the standards for performance. Of the 947 consumer purpose loans originated from January 1, 1997, through August 10, 1998, 85 percent by number and 82 percent by dollar amount were granted within the assessment area. Refer to the following table.

<b>CONSUMER PURPOSE LOANS</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR VOLUME</b>	<b>PERCENT OF TOTAL</b>
INSIDE ASSESSMENT AREA	805	85	\$6,482,848	82%
OUTSIDE ASSESSMENT AREA	142	15	\$1,437,431	18%
<b>TOTAL</b>	<b>947</b>	<b>100%</b>	<b>\$7,920,279</b>	<b>100%</b>

***Assessment Area Concentration - Continued***

Of the 43 small business loans originated during 1997, 88 percent by number and 90 percent by

dollar amount were granted within the assessment area. All 19 loans originated from January 1, 1998, through June 16, 1998, were granted within the assessment area. Refer to the following tables.

<b>1997 SMALL BUSINESS LOANS</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR VOLUME</b>	<b>PERCENT OF TOTAL</b>
INSIDE ASSESSMENT AREA	38	88	\$1,367,000	90%
OUTSIDE ASSESSMENT AREA	5	12	\$148,000	10%
<b>TOTAL</b>	<b>43</b>	<b>100%</b>	<b>\$1,515,000</b>	<b>100%</b>

<b>JANUARY 1 - JUNE 16, 1998 SMALL BUSINESS LOANS</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR VOLUME</b>	<b>PERCENT OF TOTAL</b>
INSIDE ASSESSMENT AREA	19	100	\$597,000	100%
<b>TOTAL</b>	<b>19</b>	<b>100%</b>	<b>\$597,000</b>	<b>100%</b>

***Geographic Distribution - Consumer Purpose and Small Business***

Overall, the bank’s consumer purpose and small business loans are reasonably distributed throughout Gadsden County based on the assessment area’s composition and the locations of the branch offices.

The following table details the distribution of consumer purpose loans originated from January 1, 1997, through August 10, 1998. The bank originated 528 loans totaling \$3,416,833 in moderate-income census tracts. This volume is considered significant, although the percentage is slightly lower than the 78 percent composition of moderate-income census tracts within the county. A significant number of loans were originated in moderate-income census tract #201. This census tract is located in the northeast section of the county and the site of the bank’s Havana branch. Of the loans granted in middle-income census tracts, the majority (179 loans) were granted in census tract #205. Census tract #205 is located in the center of the county and is the site of the bank’s main office in Quincy.

***Geographic Distribution - Consumer Purpose and Small Business - Continued***

<b>THE QUINCY STATE BANK</b> <b>JANUARY 1, 1997 THROUGH AUGUST 10, 1998 CONSUMER PURPOSE LOANS</b> <b>ORIGINATED IN GADSDEN COUNTY BY TRACT</b>				
<b>Census Tract Income Level</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Volume</b>	<b>Percent</b>
Moderate-Income	528	66%	\$3,416,833	53%
Middle-Income	277	34%	\$3,066,015	47%
<b>Total</b>	<b>805</b>	<b>100%</b>	<b>\$6,482,848</b>	<b>100%</b>

The distribution of the bank's small business loans is also considered reasonable. As the following two tables demonstrate, the majority of loans by both number and dollar amounts were originated within moderate-income census tracts.

<b>THE QUINCY STATE BANK</b> <b>1997 SMALL BUSINESS LOANS ORIGINATED IN GADSDEN COUNTY BY TRACT</b>				
<b>Census Tract Income Level</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Volume</b>	<b>Percent</b>
Moderate-Income	25	66%	\$947,000	69%
Middle-Income	13	34%	\$420,000	31%
<b>Total</b>	<b>38</b>	<b>100%</b>	<b>\$1,367,000</b>	<b>100%</b>

<b>THE QUINCY STATE BANK</b> <b>JANUARY 1, 1998 THROUGH JUNE 16, 1998 SMALL BUSINESS LOANS</b> <b>ORIGINATED IN GADSDEN COUNTY BY TRACT</b>				
<b>Census Tract Income Level</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Volume</b>	<b>Percent</b>
Moderate-Income	15	79%	\$303,000	51%
Middle-Income	4	21%	\$294,000	49%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>\$597,000</b>	<b>100%</b>

*Distribution of Consumer Purpose Loans Among Borrowers of Different Incomes and Lending Among Businesses of Different Sizes*

The bank's overall performance in lending to borrowers of different income levels and lending to businesses of different sizes is exceptional.

Consumer Purpose

The following table demonstrates the bank's performance in consumer purpose lending to borrowers for loans originated from January 1, 1997, through August 10, 1998. Of the total loans originated, 385 or 48 percent of the total were granted to low-income borrowers. This performance significantly exceeds the demographics of the area which indicate that low-income families comprise 38 percent of the assessment area.

The bank also granted 176 loans to moderate-income borrowers which represents 22 percent of the total loans granted. This performance also exceeds the demographics of the assessment area which indicate that moderate-income families comprise 18 percent of the assessment area.

Reporting data, for consumer purpose loans are not required by the CRA regulation; however, the bank was able to provide this information for the majority of loans in a supplemental report prepared for the examination.

<b>THE QUINCY STATE BANK JANUARY 1, 1997 THROUGH AUGUST 10, 1998 CONSUMER PURPOSE LOANS ORIGINATED WITHIN GADSDEN COUNTY BY FAMILY INCOME</b>					
<b>Borrower Income Range</b>	<b>Percentage of Families in County</b>	<b>Number of Loans</b>	<b>Percent</b>	<b>Dollar Amount</b>	<b>Percent</b>
<b>Low-Income</b>	38%	385	48%	\$1,072,317	16%
<b>Moderate-Income</b>	18%	176	22%	\$1,101,262	17%
<b>Middle-Income</b>	20%	94	12%	\$844,070	13%
<b>Upper-Income</b>	24%	45	5%	\$621,918	10%
<b>Revenue Unknown</b>	N/A	105	13%	\$2,843,281	44%
<b>Total</b>	<b>100%</b>	<b>805</b>	<b>100%</b>	<b>\$6,482,848</b>	<b>100%</b>

*Distribution of Consumer Purpose Loans Among Borrowers of Different Incomes and Lending Among Businesses of Different Sizes - Continued*

### Loans to Small Businesses

The bank's performance to businesses of different sizes is also exceptional. As the following tables demonstrate, 87 percent and 89 percent of the total loans originated by the bank during 1997 and through June 16, 1998 were granted to businesses with gross annual revenues less than one million dollars.

<b>THE QUINCY STATE BANK 1997 BUSINESS GROSS ANNUAL REVENUES</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
Less than or Equal to \$250,000	22	58%	\$760,000	56%
Greater than \$250,000 but Less than or Equal to \$500,000	9	24%	\$465,000	34%
Greater than \$500,000 but Less than or Equal to \$750,000	2	5%	\$25,000	2%
Greater than \$750,000 but Less than or Equal to \$1,000,000	0	0%	\$0	0%
<b>SUBTOTAL</b>	<b>33</b>	<b>87%</b>	<b>\$1,250,000</b>	<b>92%</b>
Greater than \$1,000,000	2	5%	\$55,000	4%
Revenue Unknown	3	8%	\$62,000	4%
<b>Total</b>	<b>38</b>	<b>100%</b>	<b>\$1,367,000</b>	<b>100%</b>

<b>THE QUINCY STATE BANK JANUARY 1, 1998 - JUNE 16, 1998 BUSINESS GROSS ANNUAL REVENUES</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
Less than or Equal to \$250,000	15	79%	\$212,000	36%
Greater than \$250,000 but Less than or Equal to \$500,000	1	5%	\$8,000	1%
Greater than \$500,000 but Less than or Equal to \$750,000	0	0%	\$0	0%
Greater than \$750,000 but Less than or Equal to \$1,000,000	1	5%	\$18,000	3%
<b>SUBTOTAL</b>	<b>17</b>	<b>89%</b>	<b>\$238,000</b>	<b>40%</b>
Greater than \$1,000,000	1	6%	\$275,000	46%
Revenue Unknown	1	5%	\$84,000	14%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>\$597,000</b>	<b>100%</b>

### *Distribution of Small Business Loans by Loan Amount at Origination*

The loan size distribution of the bank's business loans during 1997 and through June 16, 1998 is exceptional. As the following tables demonstrate, the bank granted 92 percent and 95 percent of the total loans in 1997 and through June 16, 1998 in loan amounts less than or equal to \$100,000.

This performance also exceeds the aggregate data for all lenders with originations in Gadsden County. The aggregate data reveals that of the 297 loans originated in the county, 88 percent or 262 were granted with original loan amounts of less than or equal to \$100,000.

<b>THE QUINCY STATE BANK 1997 SMALL BUSINESS LOAN SIZE AT ORIGINATION IN GADSDEN COUNTY</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
Less than or Equal to \$100,000	35	92%	\$805,000	59%
Greater than \$100,000 but Less than or Equal to \$250,000	3	8%	\$562,000	41%
Greater than \$250,000	0	0%	\$0	0%
<b>Total</b>	<b>38</b>	<b>100%</b>	<b>\$1,367,000</b>	<b>100%</b>

<b>THE QUINCY STATE BANK JANUARY 1, 1998 - JUNE 16, 1998 SMALL BUSINESS LOAN SIZE AT ORIGINATION IN GADSDEN COUNTY</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
Less Than or Equal to \$100,000	18	95%	\$322,000	54%
Greater than \$100,000 but Less than or Equal to \$250,000	0	0%	\$0	0%
Greater than \$250,000	1	5%	\$275,000	46%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>\$597,000</b>	<b>100%</b>

<b>1997 LOAN SIZE AT ORIGINATION AGGREGATE DATA FOR ALL LENDERS ORIGINATION IN GADSDEN COUNTY</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
Less than or Equal to \$100,000	262	88%	\$5,041,000	35%
Greater than \$100,000 but Less than or Equal to \$250,000	24	8%	\$4,157,000	29%
Greater than \$250,000	11	4%	\$5,174,000	36%
<b>Total</b>	<b>297</b>	<b>100%</b>	<b>\$14,372,000</b>	<b>100%</b>

***Community Development Lending***

Performance Criteria

A bank's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the bank; 2) the responsiveness of the bank's community development lending; and 3) the extent of leadership the bank has demonstrated in community development lending. As explained on page nine, community development lending is one of several factors reviewed under

the lending test.

A community development loan is a loan that: 1) has as its primary purpose community development; 2) has not been reported or collected by the bank or an affiliate for consideration as a home mortgage, small business or farm, or consumer loan, unless it is a multifamily dwelling loan; and 3) benefits the bank's assessment area or a broader statewide or regional area that includes the assessment area.

Community development is defined as: 1) affordable housing (including multifamily rental housing) for low- and moderate-income individuals; 2) community services targeted to low- and moderate-income individuals; 3) activities or loans that promote economic development by financing businesses or farms that meet size eligibility standards or have gross annual revenues of \$1 million or less; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

The bank did not originate any qualified community development loans.

### ***Innovative or Flexible Lending Practices***

#### **Performance Criteria**

A bank's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low and moderate creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the bank; and 2) the success of each product, including the number and dollar volume of loans originated during the review period. Innovative or flexible lending practices are one of several factors reviewed under the lending test, as detailed on page nine of this evaluation.

### ***Innovative or Flexible Lending Practices - Continued***

The bank participates in the State Housing Incentive Partnership Program (SHIP). SHIP is a state of Florida housing program which subsidizes the cost of purchasing a dwelling that will be used as the borrowers primary residence. Eligible applicants are low or very-low income persons. The SHIP program will advance up to \$5,000 to first time home buyers to be used for the purchase of a lot, the down payment, closing costs, or a combination of the aforementioned. The funds are repaid when the dwelling is sold or vacated by the borrower or the end of the term of

the first mortgage and is considered a "soft second" mortgage on the dwelling. Since the previous examination, the bank has originated four loans totaling \$171,434.

### **INVESTMENT TEST**

The investment test evaluates the bank's record of helping to meet the credit needs of its assessment area through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank's assessment area. Activities considered under the lending or service tests may not be considered under the investment test.

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing, 2) community services targeting low and moderate-income individuals, 3) activities that promote economic development by financing small farms and small businesses, and 4) activities that revitalize or stabilize low and moderate-income geographies.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investment to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The bank has made an adequate level of qualified investments in the assessment area via bond purchases and donations.

### **Bond Investments**

On June 11 and July 11, 1997, the bank purchased three special revenue bonds issued by the City of Midway. The bonds were in the denominations of \$60,000, \$50,000, and \$20,000, respectively. The City of Midway is located in an adjacent moderate-income census tract (#206), immediately south of the City of Quincy. There are only 1,835 residents of that census tract.

### **Bond Investments - Continued**

The City of Midway was experiencing tremendous financial difficulties and primarily used the funds the bank advanced to consolidate previous loans into one lower payment at a lower interest rate and pay an immediate priority debt. The remaining funds were used for general purposes.

The bank's willingness to accommodate the City of Midway helped to stabilize the local

government that was in a financial crisis. It is also doubtful that private investors would have accommodated the city in this manner because the bonds were not rated by a private investment service and were issued by a city in financial distress.

### **Grants**

- Quincy Main Street - a nonprofit agency organized in 1988 under the State of Florida Main Street Program. The agency is funded completely by its members. During 1996 and 1997, the bank donated a total of \$6,000 which was used to help revitalize the downtown business district.
- Children Are Our Future, Inc. - an organization formed in 1933 which provides academic instruction and extracurricular activities to children of low and moderate-income families. The bank donated \$2,187 during 1997 and \$1,000 during 1998 to sponsor a child for summer camp.
- The Ambassador Company - the bank donated \$1,050 to purchase books for schools located in moderate-income areas of Gadsden County.
- Heartland Christian Center, Kiwanis Club, and Various Organizations - the bank donates approximately \$2,000 annually to provide Thanksgiving and Christmas dinners for needy families.

The following two organizations do not specifically target any income group; however, the bank's donations are given partial credit due to the high number of low and moderate-income families and families living below the poverty level within the county.

- Gadsden Arts, Inc. - an organization begun in 1994 which provides various types of social services related to the arts for students of all schools within the county. The bank has donated \$25,000 during 1997 and 1998.
- Big Bend Hospice - a nonprofit organization which uses donated funds to provide social and medical services to patients referred by area physicians. The bank donated \$1,050 during 1997.

### **SERVICE TEST**

#### ***Scope of Test***

The service test evaluates the bank's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a bank's systems for delivering retail

banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the bank's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low and moderate-income geographies or that primarily serve low or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low, moderate, middle, and upper-income geographies.

In addition, a bank's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

The bank's overall services represent a reasonable willingness to serve the community.

### ***Accessibility of Delivery Systems***

The bank's delivery systems, including both retail branch facilities and alternative delivery systems, are accessible to essentially all portions of the assessment area. The bank operates four branch offices in Gadsden County, three of which are located in moderate-income census tracts.

The main office is located in census tract number 205 of Gadsden County, a middle-income area. This tract houses the county administration buildings and is the central business district of the city. Another retail branch office is also in Quincy, but located immediately southwest of the main office in census tract number 207, a moderate-income area. Both offices reasonably serve the central portion of the county.

The bank operates a retail branch office in the City of Havana. Havana is located in census tract number 201, a moderate-income area of the northeast portion of the county. The remaining branch office is located in the City of Chattahoochee, a moderate-income area of the northwest portion of the county. The bank's retail offices are spread throughout the county, allowing access to all residents.

### ***Accessibility of Delivery Systems - Continued***

The main office in Quincy is the only office which is equipped with a proprietary Automatic Teller Machine (ATM). This machine is not considered accessible to residents of the western portion of the county; however, depositors have access to their accounts at non-proprietary ATM's through the various networks. The main office and Havana office offer drive-in facilities.

### ***Reasonableness of Business Hours and Services***

The office hours are consistent and reasonable at each branch location. The bank's services are also reasonable, including services to low and moderate-income areas and low and moderate-income individuals. The lobby hours from Monday through Thursday are 9:00AM to 4:00PM and on Friday from 9:00AM to 6:00PM. Drive-in facilities are only located at two branch offices (Main and Havana) and are also available from 8:30AM to 12:00PM on Saturdays.

The bank also provides retail banking services for non-customers. Bank employees will cash payroll checks for anyone who can provide proper identification and a small fee. This service is also extended to migrant workers who work in the county during the harvest times of the year. The bank also provides monetary change orders for the retail stores located in the city.

Bank officers regularly visit small business customers to determine if they have any special banking needs as part of an officer call program.

Although the bank does not originate individual credit card loans, employees accept applications and forward them to an affiliate bank for processing and origination. Through the holding company, the bank participates in a percentage of the total credit card loans and currently has \$1,000,000 on the books.

The bank offers a wide array of consumer deposit services, some are considered low cost. The "Signature Basic Checking" has a monthly account maintenance fee of \$3.50 regardless of the balance. The "Signature Student Checking" has a monthly account maintenance fee of \$1.00 regardless of the balance. Both accounts can be opened with a low minimum deposit of \$100.

The bank also offers a wide array of consumer credit services including installment, automobile, mobile home, time, and lines of credit. A review of the general ledger reveals that the bank originates many loans with very low original loan amounts.

In February 1998, the bank began offering the "Small Business Checking Account". The account was devised in response to complaints from small business owners concerning the high account fees for commercial checking accounts. The bank's new account charges a \$12 monthly maintenance fee and includes the free deposit and debit of 100 items each during the month. A low minimum initial deposit of \$100 is required.

### ***Changes in Branch Locations***

The bank has not made any changes in branch locations since the previous evaluation.

### ***Community Development Services***

The bank and its employees participate in community development services on a limited basis. A

community development service is defined by the CRA regulations as a financial related service targeted to low- or moderate-income individuals or other activities that serve to promote economic development for small businesses and small farms. Community development services do not include services which have been previously considered in the evaluation of the bank's retail banking services. The community development services performed by the bank since the previous evaluation is detailed below.

- Affordable Housing Commission - a bank vice president is a member of this commission which works in conjunction with Florida State's SHIP program (previously discussed).
- Meals on Wheels - two bank representatives donate their time to this nonprofit organization which delivers meals to low-income people. The representatives service census tracts numbers 201 and 204, both moderate-income areas.

## APPENDIX A

### SCOPE OF EXAMINATION:

<b>Quincy State Bank</b>	
<b>SCOPE OF EXAMINATION:</b>	
The scope of the examination included a review of the bank's consumer purpose and small business lending activities within the bank's assessment area of Gadsden County. Examiner's analysis focused on lending activities in the calendar year of 1997 and from the first six months of 1998. The scope also included a review of the bank's qualified investment and community service activities in the same evaluation period.	
<b>TIME PERIOD REVIEWED:</b>	01/01/97-06/16/98
<b>PRODUCTS REVIEWED:</b>	
Consumer Purpose and Small Business Loans	

<b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b>		
<b>AFFILIATE(S):</b>	<b>AFFILIATE RELATIONSHIP:</b>	<b>PRODUCTS REVIEWED:</b>
None		

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA:</b>	<b>TYPE OF EXAMINATION:</b>	<b>BRANCHES VISITED:</b>	<b>OTHER INFORMATION:</b>
Gadsden County	On-Site	None	

