



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 30, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CenterState Bank of Florida, National Association
Charter Number: 22311

1101 First Street South
Winter Haven, FL 33880-0000

Office of the Comptroller of the Currency

NORTH FLORIDA FIELD OFFICE
8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256

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 CRA RATING: This institution is rated Satisfactory**The Lending Test is rated: Satisfactory.****The Community Development Test is rated: Satisfactory.**

- CenterState Bank's average loan-to-deposit ratio is *reasonable* in comparison to similar-sized institutions.
- The bank makes a *substantial majority* of its loans within the assessment area.
- The bank record of lending reflects a *reasonable* penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a *reasonable* dispersion throughout the assessment area.
- The bank's community development performance demonstrates *satisfactory responsiveness* to the needs of its assessment area.

DESCRIPTION OF INSTITUTION

CenterState Bank of Florida, N.A. (CSBFL) is wholly owned by CenterState Banks of Florida, Inc. Under its charter, the bank previously operated as First National Bank of Polk County. In January 2006, First National Bank of Polk County merged with state-chartered affiliate CenterState Bank of Florida. The main office is located in Winter Haven, Florida. CSBFL also has twelve branch offices in cities that include Winter Haven, Haines City, Lakeland, Lake Wales and Lake Alfred. The bank offers automated teller machine (ATM) access at most of its branches excluding the Four Lakes office. Other banking services include drive-up facilities at most offices (excluding Lake Aston and the Four Lakes offices), telephone banking and online banking. CSBFL offers a variety of lending programs but generally its primary focus has been in residential real estate lending at \$122 million (45%) and business lending \$76 million (28%) of the loan portfolio as of March 31, 2008. As of year-end 2007, the bank had total assets of approximately \$407 million with net loans accounting for 64% of total assets. There are no financial, legal or regulatory constraints that would prevent the bank from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

CSBFL's assessment area is Polk County, which wholly comprises the Lakeland-Winter Haven Metropolitan Statistical Area (MSA# 29460). The assessment area (AA) contains 110 census tracts and has a total population of 483,924 persons. Of this population, there are 132,948 families and 187,162 households residing in the AA. The 2000 Census Bureau Median Family Income (MFI) for the Lakeland MSA is \$41,491, which is used to determine the census tract category for each of the tracts in the assessment area. The 2008 MFI for the Lakeland MSA is \$50,700, as estimated by the Department of Housing and Urban Development (HUD). The HUD estimated MFI is used to designate the income category of each CSB borrower. There are 12% of families below the poverty level. The AA meets the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income geographies. Additional information on the AA by income and census tract categories is detailed in the tables below.

| Census Tract Category | # of Census Tracts | % of Total |
|-----------------------|--------------------|----------------|
| Low Income | 1 | 0.91% |
| Moderate Income | 28 | 25.46% |
| Middle Income | 63 | 57.27% |
| Upper Income | 18 | 16.36% |
| Total | 110 | 100.00% |

| Income Category | Families in the AA |
|--------------------------|--------------------|
| Low Income Families | 18.23% |
| Moderate Income Families | 19.44% |
| Middle Income Families | 22.60% |
| Upper Income Families | 39.73% |
| Total | 100.00% |

| Tract Category | Families residing in tracts |
|------------------------|-----------------------------|
| Low Income Tracts | 0.33% |
| Moderate Income Tracts | 17.79% |
| Middle Income Tracts | 59.29% |
| Upper Income Tracts | 22.59% |
| Total | 100.00% |

According to data from the 2000 census, the assessment area has 226,376 housing units with the substantial majority (92%) being 1-4 family units. The AA has a significant number of manufactured housing units at 29%. A majority of housing units in the AA (60%) are owner-occupied. The median housing value is \$69,369 and the median age of the housing stock is 29 years. Data from Enterprise Florida shows the 2007 median single-family home price at \$168,900 for the Lakeland MSA.

According to Enterprise Florida, there are 269,119 persons in the county’s labor force. As with much of the United States, unemployment has increased in the county. Data from the Central Florida Development Council shows the April 2008 unemployment rate for Polk County was 4.9%, which is slightly higher than the averages for the State of Florida (4.8%) and the Nation (4.7 %). The major industry sectors are trade, transportation and utilities at 23 percent, professional and business services at 15 percent, and education and health services at 12 percent. Lakeland is the headquarters of Publix Supermarkets. Major private sector employers are Publix Supermarkets, Wal-Mart and Lakeland Regional Hospital.

Banking competition in the AA is strong with community banks, regional banks, large banks and credit unions operating in the market. Data from the FDIC as of June 30, 2007 shows that there are 19 banks and savings institutions operating 145 offices in Polk County. Seven of the nineteen banks are headquartered in Polk County. These institutions hold a total of \$5.6 billion in deposits. The top five banks hold approximately 80% of the deposits in the county. CenterState Bank of Florida, N.A. was ranked 5th with a deposit market share of 5.79%. Leading banks in the AA are Bank of America, Wachovia and SunTrust. These institutions hold 62% of deposits.

During our examination, we met with a local organization to discuss credit needs of the community and the responsiveness of financial institutions. The organization is primarily involved in providing homeownership assistance to low- and moderate-income persons living in Polk County. Assistance includes funds for down payments and closing costs. The organization also develops single-family homes for purchase by low- and moderate-income families.

Affordable housing is a key issue in Polk County, as in most metropolitan areas of Florida. Home prices escalated in 2003-2005 throughout the State of Florida making it difficult for low-, moderate- and even middle-income families to afford to buy a home. As prices decline, homes will return to more affordable prices. But, while housing may become more affordable for moderate-income persons, affordable housing remains an issue for low-income persons in the area. The organization's representative noted that most banks in the community have been responsive to participating in the housing programs they offer.

SCOPE OF THE EXAMINATION

CenterState Bank of Florida N.A. was evaluated based on an analysis of residential mortgage products and loans to businesses. There were no limited scope analyses performed. The time period for this evaluation is January 1, 2006 through July 7, 2008. This is the first CRA evaluation for CenterState Bank of Florida, N.A. Under its prior structure as First National Bank of Polk County, the bank received a "Satisfactory" rating in a Performance Evaluation dated November 18, 2002. Refer to the comments within each performance criteria for a discussion of the loan sampling methodology used for this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- **Loan to Deposit Ratio- Meets the standards for Satisfactory Performance**

The banks average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition and AA credit needs. The bank's quarterly average LTD ratio was calculated from the first quarter of 2006 through the first quarter of 2008. The resulting average LTD ratio is 71%. The national average LTD ratio for peer banks is 88%. Peer banks are those of similar asset size operating in metropolitan areas. The average LTD ratio for peer banks headquartered in Polk County is 80%. CSBFL's ratios ranged from 61% to 79% during the evaluation period while the Polk County peer banks' ratios ranged from 73% to 90% for the same time period.

- **Lending in Assessment Area – Exceeds the Standard for Satisfactory Performance**

The bank makes a substantial majority of its loans within the assessment area. We based our conclusions on a sample of the bank's two primary loan products—residential mortgages and business loans. First, we performed an analysis using all residential mortgage loans originated from 2006 to June 30, 2008. This included loans to purchase or refinance home mortgages as well as home improvement loans. We also obtained a random sample of 32 loans to businesses made within this same time frame. Our results for both loan types are summarized below.

| Table 1 - Lending in CenterState Bank of Florida, NA AA | | | | | | | | | | |
|---|-----------------|--------|---------|--------|-------|--------------------------------|--------|----------|--------|----------|
| Loan Type | Number of Loans | | | | | Dollar Volume of Loans (\$000) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Residential Mortgages | 623 | 85.58% | 105 | 14.42% | 728 | \$65,902 | 82.30% | \$14,128 | 17.65% | \$80,030 |
| Business Loans | 29 | 90.63% | 3 | 9.38% | 32 | \$9,929 | 84.45% | \$1,829 | 15.55% | \$11,758 |

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes – Meets the Standard for Satisfactory Performance**

The bank’s record of lending reflects a reasonable penetration among borrowers of different income levels. This analysis used the sample of residential mortgage loans originated within the assessment area that is discussed above. We compared the income distribution of the bank’s borrowers in our sample to the income distribution of families within the assessment area. The borrowers were categorized into income groups based on the 2006-2008 HUD median family income categories. The distribution of families in the assessment area (“% of Families in the AA”) is based on 2000 U.S. Census Bureau data. The results are detailed in Table 2. In aggregate, the bank’s level of lending to low- or moderate-income borrowers is lower by comparison to the percent of low- or moderate-income families in the AA. However, the detailed distribution in Table 2A shows that a significant portion of home improvement loans were made to low- or moderate-income borrowers and compares favorably to the percent of low- and moderate-income families in the AA. This level of performance is considered reasonable given the level of banking competition in the area and the challenges of making home purchase loans for affordable housing discussed within the “Description of the Assessment Area” section of this evaluation.

| Table 2 - Borrower Distribution of Residential Real Estate Loans in CSBFL, NA AA | | | | | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Borrower Income Level | Low Income | | Moderate Income | | Middle Income | | Upper Income | |
| Loan Type | % of Families In the AA | % of CSBFL Loans (by #) | % of Families In the AA | % of CSBFL Loans (by #) | % of Families In the AA | % of CSBFL Loans (by #) | % of Families In the AA | % of CSBFL Loans (by #) |
| Residential Mortgages | 18.23% | 2.73% | 19.44% | 12.84% | 22.60% | 23.76% | 39.73% | 58.91% |

Note: There were 1.77% of CSB borrowers for which income data was not available

| Table 2A - Borrower Distribution of Residential Loans by Purpose | | | | | | |
|--|------------|-----------------|---------------|--------------|--------------------|---------|
| Purpose | Low Income | Moderate Income | Middle Income | Upper Income | Data not Available | Total |
| Home Purchase | 1.17% | 11.66% | 23.54% | 62.94% | 0.70% | 100.00% |
| Home Improvement | 11.48% | 18.03% | 29.51% | 36.07% | 4.92% | 100.00% |
| Refinancing | 3.76% | 14.29% | 21.8% | 56.39% | 3.76% | 100.00% |

The bank’s record of lending reflects a reasonable penetration among businesses of different sizes. This was based on an analysis of the sampled 29 business loans originated within the assessment area during the evaluation period. We determined that the bank makes loans to businesses of varying sizes, but primarily to small businesses. The analysis showed 55% of the total number of business loans sampled (36% based on business loan amounts), were to small businesses (those with total revenues less than \$1 million). In comparison, economic data supports that 65% of all businesses operating within the assessment area are considered small businesses (revenue data was not available for 32% of assessment area businesses).

| Table 2B - Borrower Distribution of Loans to Businesses in CSBFL, NA AA | | | | |
|--|--------------|--------------|--------------------|---------|
| Business Revenues (or Sales) | <\$1,000,000 | >\$1,000,000 | Data Not Available | Total |
| % of AA Businesses by # | 64.97% | 3.48% | 31.55% | 100.00% |
| % of CSBFL Loans in AA by # | 55.17% | 44.83% | 0.00% | 100.00% |
| % of CSBFL Loans in AA by \$ | 35.90% | 64.10% | 0.00% | 100.00% |

CSBFL also makes a large portion of their business loans in smaller dollar amounts. Our sample included loans with original amounts ranging from \$5,000 to \$1.5 million. This is a favorable indicator that CSBFL makes loan amounts that meet the needs of smaller businesses. A detailed breakdown by loan amount is presented below.

| Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in CSBFL, NA AA | | | | |
|---|-----------------|-------------------|------------------------|--------------------------|
| Loan Size (000's) | Number of Loans | Percent of Number | Dollar Volume of Loans | Percent of Dollar Volume |
| \$0 - \$100,000 | 15 | 51.72% | \$413 | 4.16% |
| \$100,001 - \$250,000 | 6 | 20.69% | \$1,485 | 14.96% |
| \$250,001 - \$500,000 | 2 | 6.90% | \$652 | 6.57% |
| \$500,001 - \$1,000,000 | 1 | 3.45% | \$848 | 8.54% |
| Over \$1,000,000 | 5 | 17.24% | \$6,531 | 65.77% |
| Totals | 29 | 100.00% | \$9,929 | 100.00% |

- **Geographic Distribution of Loans – Meets the Standard for Satisfactory Performance**

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The distribution of CSBFL’s loans reflects lending in most tracts. There were no conspicuous gaps noted in the bank's geographic lending distribution. For this analysis, we first compared the geographic distribution of the residential loans sampled within the assessment area to the level of owner-occupied housing within each geographic area. The level of owner-occupied housing is an indicator of the opportunities available for residential mortgage financing. The lower the level of owner-occupied housing correlates to fewer opportunities available for home improvement, refinance or other mortgage loans. This factor is also evaluated in the context of the bank’s size and the level of banking competition in the area. It should also be noted, as discussed in the performance context, that there is only one low-income geography in the assessment area.

Based on our findings, the bank has a reasonable record of lending to individuals in different geographies. The results of our analyses are summarized in the following tables. As with the analysis of borrower distribution, the detailed analysis in Table 3A shows a significant portion of mortgage loans were made within moderate-income geographies and compares favorably to the level of owner-occupied housing in those geographies.

| Table 3 - Geographic Distribution of Residential Real Estate Loans in CSBFL, NA AA | | | | | | | | |
|--|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| Census Tract Income Level | Low Income | | Moderate Income | | Middle Income | | Upper Income | |
| Loan Type | % of AA Owner Occupied Housing | % of Number of CSBFL Loans | % of AA Owner Occupied Housing | % of Number of CSBFL Loans | % of AA Owner Occupied Housing | % of Number of CSBFL Loans | % of AA Owner Occupied Housing | % of Number of CSBFL Loans |
| Residential Mortgages | 0.14% | 0.16% | 15.41% | 13.16% | 60.75% | 73.35% | 23.70% | 13.32% |

| Table 3A - Geographic Distribution of Residential Loans by Purpose | | | | | | |
|--|--------------|-----------------|---------------|---------------|--------------------|----------------|
| Purpose | Low Income | Moderate Income | Middle Income | Upper Income | Data not Available | Total |
| Home Purchase | 0.23% | 12.59% | 72.03% | 15.15% | 0.00% | 100.00% |
| Home Improvement | 0.00% | 16.39% | 77.05% | 6.56% | 0.00% | 100.00% |
| Refinancing | 0.00% | 13.53% | 75.94% | 10.53% | 0.00% | 100.00% |
| Total | 0.16% | 13.16% | 73.35% | 13.32% | 0.00% | 100.00% |

Next, we analyzed the geographic distribution of CSBFL’s business loans. For this analysis, we used the sample of business loans originated within the assessment area during the evaluation period. We noted the geographic location of the business or property purchased, depending on the nature of the loan. For comparison, we reviewed economic data that shows the geographic location of businesses in each assessment area. Based on our findings, which are detailed below, the bank has a reasonable record of lending to businesses in different geographies.

| Table 3B - Geographic Distribution of Loans to Businesses in CSBFL, NA AA | | | | | | | | |
|---|--------------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|
| Census Tract Income Level | Low Income | | Moderate Income | | Middle Income | | Upper Income | |
| Loan Type | % of AA Businesses | % of Number of CSBFL Loans | % of AA Businesses | % of Number of CSBFL Loans | % of AA Businesses | % of Number of CSBFL Loans | % of AA Businesses | % of Number of CSBFL Loans |
| Business Loans | 0.44% | 0.00% | 21.92% | 27.59% | 55.57% | 34.48% | 22.06% | 27.59% |

Note: There were 10.34% of CSB business loans for which census tract data was not available

- Responses to Complaints – Not Applicable

We reviewed records of consumer complaint regarding CSBFL made to our agency and those maintained by the bank in the public file. There were no complaints made relative to the Community Reinvestment Act during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW – Not Applicable

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

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated Satisfactory.

The bank’s community development performance demonstrates satisfactory responsiveness to the needs of its AA through community development loans, qualified investments (QI) and community development services, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s AA.

We reviewed information provided by CSBFL for community development activities within the AA during the evaluation period. The information was reviewed to validate that the activities supported community development and were responsive to community needs.

- **Community Development Loans**

| Number of Loans | \$ Volume of Loans |
|-----------------|--------------------|
| 3 | \$1,216,630 |

CSBFL has a satisfactory level of community development loans that showed responsiveness to community needs. Our interview with a local organization indicated that affordable housing for low- and moderate-income families is a need in the community, given the challenges of housing affordability in Florida’s metropolitan areas. During the evaluation period, CSBFL originated three loans totaling \$1.2 million that were for community development purposes. All of the organizations, for-profit and not-for-profit, are engaged in the construction of affordable housing. All of the loans were used to fund the construction of homes targeted to low- and moderate-income persons.

- **Community Development Investments**

| Number of QI | \$ Volume of QI |
|--------------|-----------------|
| 21 | \$293,685 |

CSBFL has a satisfactory level of qualified investments that showed responsiveness to community needs. During the evaluation period, CSBFL made 21 qualified investments totaling

\$293 thousand. The majority of the total investment (\$200 thousand) is in the form of a municipal revenue bond that will provide for the development of a sports complex in the AA. The project is part of the Polk County Board of Commissioner’s effort to increase economic development by providing a facility for national sporting events. The Board estimates that the county will realize an economic benefit of \$35 million per year and will result in small business growth and job creation.

- **Community Development Services**

The extent to which the bank provides community development services is excellent given its size and capacity to provide such services.

The types of services available at CSBFL are excellent and responsive to the needs of low- and moderate-income persons in the community. Banking services include a free checking account that has no monthly service charge, no minimum balance required, no per check charge and free online bill payment. The bank’s branch network also provides availability to low- and moderate-income persons in the community. Three of the branches are located in moderate-income geographies. All three locations are full service branches with ATM and drive-through facilities.

Bank personnel have engaged in community development services that are responsive to community needs. Two senior bank managers serve on the board of a local organization whose primary purpose is to provide affordable housing for low- and moderate-income persons. Senior bank managers also serve on the board of the local housing authority, economic development council and not-for-profit organizations that support small business development, job creation or provide services targeted towards low- and moderate income persons. Bank personnel also provided technical assistance by serving on the finance committees or loan approval committees for affordable housing organizations. Bank personnel also participated in a financial education workshop for residents of a low-income apartment community.

CSBFL provides account administration services for a local not-for-profit housing organization. The organization maintains program funds in a deposit account with CSBFL. The funds provide down payment and closing cost assistance to prospective buyers in a single-family home subdivision targeted for low- and moderate-income persons. Bank personnel receive client packages from the organization and directly disburse checks from the account on behalf of the organization. Bank personnel verify the recorded mortgages and maintain the loan files for the organization.