



## **PUBLIC DISCLOSURE**

April 22, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Continental National Bank of Miami  
Charter Number 16325

1801 SW 1st Street  
Miami, FL 33135

Office of the Comptroller of the Currency

Doral Costa Office Park  
9800 NW 41st Street, Suite 120  
Miami, FL 33178-2970

**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 Outstanding**

Our performance evaluation finds that Continental National Bank of Miami's performance is "Outstanding". The primary reasons for this rating include:

- The Bank's loan-to-deposit ratio is reasonable in comparison to other similarly situated financial institutions.
- The level of lending in the Bank's assessment area is more than reasonable with a substantial majority of loan originations both by number and dollar are located within the Bank's assessment area.
- The geographic distribution of loans within the Bank's assessment area is excellent.
- The distribution of loans to businesses of different sizes reflects a reasonable distribution.

## **SCOPE OF EXAMINATION**

This examination addresses Continental National Bank's efforts in meeting its community's credit needs. The most recent CRA PE, completed in December 2006 concluded the Bank's efforts were "Outstanding". We evaluated the CRA performance of Continental National Bank using small bank performance criteria. Our evaluation covered the period from December 18, 2006, through December 31, 2012. We focused on lending activity from January 1, 2010, through December 31, 2012 for analysis purposes. Consistent with the Banks' primary lending focus, small loans to businesses were the proxy for this examination. The Bank originates a minimal number of home mortgage loans.

## **DESCRIPTION OF INSTITUTION**

Continental National Bank of Miami (CNB) is a minority-owned intrastate commercial bank established in 1974 and headquartered near downtown Miami, Florida. The Bank was the first Cuban-American community bank established in the United States. Continental National Bank is owned by Continental Bancorporation, a one bank holding company also headquartered in Miami.

Continental National Bank operates seven banking offices within Miami-Dade County. The main office is located in Miami's Little Havana neighborhood. The Bank has opened one branch since the previous performance evaluation completed in 2006. The "Navarro" branch located in Hialeah, Florida, opened in 2011. This branch is located in a moderate-income census tract. The Bank has not closed any branches during this time. The Bank has assets of \$294 million as of December 31, 2011. As of year-end 2012, the Bank had total assets of \$316 million and total deposits of \$258 million. Tier 1 Capital totaled \$30.7 million as of December 31, 2012. Continental National Bank offers a wide variety of deposit and loan products, as detailed in the Bank's Public File. The Bank's primary business strategy includes commercial lending, with a

focus on real estate development. Total loans represent 63.5 percent of assets at \$181million and include the following categories: commercial real estate loans (44.73 percent), other consumer loans (13.06 percent), construction loans (6.77 percent), multi- family housing loans (13.64percent), residential mortgage loans (16.46 percent), and commercial and industrial loans (5.24 percent).

Continental National Bank is a certified Small Business Administration (SBA) lender and is one of only two banks in Florida to participate in the U.S. Department of Transportation (DOT) Short Term Lending Program. The DOT program allows the Bank to offer eligible disadvantaged business enterprises and other minority owned companies a line of credit up to \$750,000 to fund invoices for work done under transportation infrastructure contracts or sub-contracts. The Bank also offers a similar program providing lines of credit up to \$250,000 for work done under contract or sub-contract with Miami-Dade County.

There are no legal, financial or other impediments hampering the Bank's ability to help meet the credit needs of its community. The Bank's rating at its preceding CRA examination, dated December 18, 2006, was "Outstanding".

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The Bank's assessment area consists of Miami-Dade County and comprises the entire Metropolitan Division (MD) 33124. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Miami-Dade County is a county located in the southeastern part of the state of Florida. As of the 2010 census, the county had a population of 2,496,435, making it the most populous county in Florida and the seventh-most populous county in the United States. It is also Florida's third largest county in terms of land area, with 1,946 square miles. The county contains approximately half of the Miami metropolitan area's population and several of its largest cities. The county seat is Miami.

The Miami-Dade assessment area consists of 518 geographies (census tracts) of which 6 percent are considered low-income, 25 percent moderate-income, 32 percent middle-income, and 33 percent upper-income. The majority of low- and moderate-income geographies are located in the City of Miami where approximately 16 percent of the county population resides. The 2012 HUD adjusted median family income for the Miami-Dade assessment area is \$51,900. Approximately 32 percent of assessment area households are in the low- or moderate-income category.

Housing costs in Miami-Dade County are high and have increased significantly over the past several years. Based on data from the National Association of Realtors, the median sales price of an existing single-family home increased from \$212 thousand in 2007 to \$489 thousand in 2012.

The Miami-Dade assessment area's economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism, and banking. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this

area with a distinct advantage as a global trading and financial center. Of the approximately 444 thousand non-farm businesses in the assessment area, approximately 46 percent are service providers and 10 percent are retail operations. Businesses are predominately small, both in terms of number of employees and revenue size.

Banking competition is very intense in the assessment area. Based on FDIC data as of June 30, 2012, there were 69 financial institutions operating 678 banking offices in the Miami-Dade County assessment area, including branches of the largest banks in the country. Competition for loans is even more intense since numerous mortgage companies also operate in the assessment area and national credit card lenders compete for small business loans.

It has been three years since the National Bureau of Economic Research (NBER)-declared official end of the 2007-09 Recession in June 2009. This recovery has followed the first U.S. systemic banking panic since the 1930's, the first collapse of a shadow banking system since 1907, and the first succession of collapses in asset bubbles in housing and the stock market, in conjunction with unsustainable levels of household debt since the 1920's. This resulted in what has been called a *Balance Sheet Recession*. Balance sheet recessions are steeper and last longer than non-balance-sheet recessions, and they are followed by weaker recoveries. This is the direct consequence of households and unincorporated businesses paying down unsustainable levels of debt to rebuild their net worth. The year 2012 began with strong growth, in jobs and retail sales, which followed the slowdown over the last half of 2011. Middle- and working-class households are continuing to try to rebuild their net worth after the collapse of the housing bubble, and the accumulation of unsustainable levels of debt, a process referred to as deleveraging, which has pulled the momentum of the economy down each time it appeared that a recovery was under way. As of the middle of 2012, we have had at least three "recoveries" since the NBER-declared end of the recession in June 2009. Even though consumers are repairing the liabilities side of their balance sheets by paying down debt and reducing credit demand, housing prices, affected by continued foreclosures, are still held down, which means that the asset side, especially for median and lower income households, is still not recovering and thus presenting a major impediment to rebuilding their net worth.

## **Assessment Area Credit Needs**

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information and community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. We reviewed industry and labor information published by local government entities, realty agencies, and other community groups.

We conducted a community contact with an organization focusing on commercial growth and credit opportunities for small businesses. The Little Havana Merchant Alliance (LHMA) is a local non-profit providing guidance and direction to small businesses within the community of Little Havana, and a driving force for community development activities in the area.

The LHMA recognizes the need for continued credit related support for the community. Banks and other financial-based institutions offering credit-based services are a required element within a prospering business community. According to a co-founder of LHMA, financial education is one primary credit related need within the community. Many local business owners are immigrants

with little or no experience with the local economy, financial assistance available throughout the community, or the means to conduct business in the United States.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The criteria most important in determining the institution's overall rating are “Lending to Businesses of Different Sizes” and “Geographic Distribution of Loans.”

At the Bank’s request, we reviewed qualified Community Development Lending activity, and other commercial credit services provided to the community.

### Loan-to-Deposit Ratio

The Bank’s loan-to-deposit ratio, in comparison to other similarly situated institutions, is reasonable and meets the standards for satisfactory performance. The Bank’s average quarterly loan-to-deposit ratio since the last CRA examination is 69.78 percent. This performance exceeds the average quarterly loan-to-deposit ratio of 63.58 percent of four similarly situated institutions operating in Miami-Dade County for the same period.

BANK NAME	CITY	STATE	COUNTY	Cert #	ASSETS (000s)
<i>Continental National Bank of Miami</i>	<i>Miami</i>	<i>FL</i>	<i>MIAMI-DADE</i>	<i>21578</i>	<i>321,648</i>
Terrabank National Association	Miami	FL	MIAMI-DADE	26442	268,345
Executive National Bank	Miami	FL	MIAMI-DADE	20711	282,201
International Finance Bank	Miami	FL	MIAMI-DADE	24823	342,234
Pacific National Bank	Miami	FL	MIAMI-DADE	26299	355,015

SUMMARY	
Continental National Bank Avg. LTD Ratio	<b>69.78%</b>
Other Institutions - Avg. LTD Ratio	<b>63.58%</b>
Other Institutions - High Avg. LTD Ratio	<b>80.12%</b>
Other Institutions - Low Avg. LTD Ratio	<b>42.33%</b>

### Lending in Assessment Area

The level of lending within the Bank assessment area is more than reasonable with a substantial majority of all loan originations, both by number and dollar, are located within the Bank’s assessment area: 100 percent of the Bank’s small loans to businesses were originated

within the Bank’s assessment area during 2010 and 2011 and 97 percent of the loans originated during 2012 were within the assessment area. Please see the following tables for more detail.

<b>Table 1 - Lending in the Miami-Dade Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	50	100	0	0	50	18,605	100	0	0	18,605

2010 and 2011 Lending activity. Source: sample of loan. ( Dollars in 000's).

<b>Table 1a - Lending in the Miami-Dade Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	23	97	3	3	23	4,336	97	121	3	4,457

2012 Lending activity. Source: sample of loan.( Dollars in 000's)

**Lending to Businesses of Different Sizes**

The distribution of loans to businesses of different sizes is reasonable and meets the standard for satisfactory performance. The percent of the Bank’s loans to businesses with gross annual revenues of \$1 million or less (small businesses) during 2010 and 2011 is somewhat lower than the percent of such businesses in the Bank’s Miami-Dade assessment area. During this period, the U.S. economy, including Miami, faced a balance sheet recession. This is the direct consequence of households and unincorporated businesses paying down unsustainable levels of debt to rebuild their Net Worth. This process has been referred to as Deleveraging. These facts support the Bank’s level of lending to businesses of different sizes are reasonable.

The Bank was more successful in 2012 originating 82 percent of loans (by volume) to businesses with gross annual revenues of \$1million or less (small businesses). The quantity of loans originated to small businesses is also comparable to the quantity (as a percent) of small businesses within the assessment area during 2012.

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	69.43	27.44	6.13	100%
% of Bank Loans in AA by #	50.00	42.00	8.00	100%
% of Bank Loans in AA by \$	39.89	54.32	5.79	100%

2010 and 2011 Commercial loans. Source: Loan sample; Dunn and Bradstreet data

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	74.70	2.73	22.57	100%
% of Bank Loans in AA by #	69.23	15.38	15.39	100%
% of Bank Loans in AA by \$	82.36	12.34	5.3	100%

2012 Commercial loans. Source: Loan sample; Dunn and Bradstreet data.

### Geographic Distribution of Loans

The geographic distribution of Continental National Bank’s small loans to businesses located in low-to-moderate tracts is excellent. In low-income geographies, the percent of the Bank’s loans substantially exceeds the percentage of businesses located in low-income geographies for all three years.

The percent of loans in moderate-income geographies substantially exceeds the percent of businesses located in moderate-income geographies in 2012. Loans to businesses, in these moderate-income tracts, were only slightly higher than the percentage of businesses in these areas in 2010 and 2011.

<b>Table 3A - Geographic Distribution of Loans to Businesses and Farms in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	3.98	15.56	19.56	20.00	32.37	26.67	43.51	37.78

2010 and 2011 Commercial Loans. Source: Dunn & Bradstreet data

<b>Table 3A - Geographic Distribution of Loans to Businesses and Farms in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	3.05	8.7	22.24	30.43	27.82	26.09	45.37	34.78

2012 Commercial Loans. Source: Dunn & Bradstreet data; loan sample

### Community Development Services

Management requested consideration for the community development lending services offered by the Bank. Continental National Bank is a certified Small Business Administration (SBA) lender and is one of only two banks in Florida to participate in the U.S. Department of Transportation (DOT) Short Term Lending Program. The Bank originates a high volume of community development loans responsive to assessment area needs. This activity represents a

substantial commitment to community development, given the size and complexity of the Bank. From January 1, 2007 through December 31, 2012, Continental National Bank originated 31 community development loans totaling \$15 million in its assessment area. Of those loans, 7 percent of the dollar volume supports Miami-Dade County infrastructure through DOT credits, 48 percent provide funding to charter school improvements within Miami-Dade County, and the remaining 34 percent encourage economic development within the community through the SBA 504 lending program. In addition to these qualified community development loans, the Bank has generated an additional \$1.6 million in commercial loans backed by the SBA. While these 15 credit extensions may not meet the definition of a community development loan, the SBA services provided by the Bank in these instances are crucial to the continued growth of the community.

### **Responses to Complaints**

Neither Continental National Bank nor its supervisory agencies have received complaints about the Banks' performance in helping to meet assessment area needs during this evaluation period. This has a neutral impact on the overall CRA rating.

### **Fair Lending or Other Illegal Credit Practices Review**

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