



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 15, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

1st National Bank of South Florida
Charter Number: 13641

1550 North Krome Avenue
Homestead, FL 33030

Office of the Comptroller of the Currency

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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

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The primary factors supporting the bank's **Outstanding** performance include:

- The distribution of loans among businesses of different sizes is excellent and exceeds the standards for satisfactory performance,
- The bank's lending activities reflect excellent penetration among businesses of different sizes, and
- The bank's performance in providing retail services and community development services reflects a strong level of responsiveness to the community needs of the assessment area (AA).

Scope of Examination

We evaluated the 1st National Bank of South Florida's performance using the intermediate small bank performance criteria that includes the lending test and the evaluation of the bank's performance in providing community development loans and services in the assessment area. This performance evaluation covers activities from January 1, 2004 through September 30, 2010. The evaluation is based on accurate data and focused on a sample of business loans originated during the evaluation period. Loan reports, community development loans, investments, and services submitted by bank management were verified to ensure accuracy and to ensure applicable activities met the regulatory definition for community development.

Business lending is the bank's primary business strategy. Residential lending opportunities were limited given a weak residential market during the evaluation period. The bank has addressed affordable housing needs through its community development lending.

Description of Institution

The 1st National Bank of South Florida (FNBSF) is a community bank headquartered in Homestead, Florida. Founded in 1932, it operated as the First National Bank of Homestead until June 2001, when the name was changed. FNBSF is a wholly owned subsidiary of Hometown of Homestead Banking Company headquartered in Homestead, Florida.

The bank has seven offices, one of which was opened since the bank's last CRA evaluation. The bank offers a variety of deposit and loan products for businesses and individuals, as described in the CRA Public File. As of September 30, 2010, FNBSF reported total assets of \$319 million and total deposits of \$259 million. The bank's primary business focus is small

business and commercial real estate lending. The breakdown of the bank's \$159 million loan portfolio, which represents 49.70% of total assets, is as follows: 65.56% commercial/commercial real estate, 33.36% residential, and 1% consumer. Tier 1 Leverage capital was \$29 million while the Tier 1 Leverage capital ratio was 9.12%.

The bank has experienced financial losses for the past two years and year-to-date. No legal or other financial circumstances impede the bank's ability to help meet the credit needs in its AA. Competition is strong in the AA with 24 financial institutions representing local, regional, and multi-regional banks. Out of the 24 banks, FNBSF ranks fifth in deposit market share at 7.86%. The bank's CRA performance was rated "Outstanding" at its last CRA examination, dated April 27, 2004.

Description of Assessment Area

FNBSF's assessment area includes the southern portion of Miami-Dade County, about 30 miles south of Downtown Miami. Its general boundaries are Kendall to the north, the Atlantic Ocean to the East, the Florida Everglades to the west and the Miami-Dade/Monroe County line to the south. Cities in the assessment area include Homestead, Florida City, Leisure City, Princeton, Goulds, and Palmetto Bay.

The bank's assessment area includes 102 of the 347 census tracts in the Miami-Miami Beach-Kendall, Florida Metropolitan Division (MD) #33124. The bank's AA area does not include the entire MD but meets the requirements of the CRA regulation, since it is based on entire census tracts and does not arbitrarily exclude low- or moderate-income geographies. The composition of tract income levels for the AA, based on the 2000 Census, were 2% (2 census tracts) low-income, 11% (11 census tracts) moderate-income, 25% (25 census tracts) middle-income, 61% (62 census tracts) upper-income, and 2% (2 census tracts) with no income designation.

As with most metropolitan areas in Florida, the economy in the AA has experienced a downturn due to the national and local recession. FNBSF's ability and opportunities to lend, especially to low- and moderate-income borrowers as well as to small businesses, has been impacted by the downturn with increased foreclosures, bankruptcies, and declines in real estate collateral values.

The entire state, and in particular Miami-Dade County, has experienced significant job losses, a volatile housing market with a record number of delinquencies, foreclosures, and bankruptcies. Major industries of tourism, real estate development, wholesale trade companies, health care, financial services, and retail services have suffered as a result of the downturn. Miami-Dade County has a high unemployment rate of 13.1%, declines in real estate values, and increases in residential foreclosures.

According to the 2000 U.S. Census Bureau economic data, the AA had a population of 684 thousand with 12% of the households living below the poverty level and persons over age 65 representing 10% of the population. The income level of families in the assessment area is distributed as follows: 15.14% are low-income, 13.39% are moderate-income, 17.65% are middle-income, and 53.83% are upper-income. The HUD adjusted median family income for

the MD was \$52,200 for 2010. Low-income borrowers earned, at most \$26,094 in 2010. According to the Miami-Dade Office of Economic Development and International Trade, the median cost of housing in the assessment area as of September 2010 was \$188,000. Also, based on the 2000 Census, 12.40% of households are below the poverty level.

As a part of our review, we also incorporated information obtained from a local community contact and discussions with bank management. The contact was a nonprofit organization whose focus was the support of affordable housing in the AA. From the discussion, we determined that the most pressing credit needs in the AA are affordable housing and small business lending.

Agriculture remains a dominant factor in Homestead. Nearly half of the winter vegetables consumed in the United States are grown in tropical South Florida. Miami-Dade County's agriculture, which represents nearly \$1 billion annually in local economic impact, is located on just six percent of the county's available land. This agricultural environment creates farming jobs for the local migrant community. This industry has undergone significant changes due to competitive factors related to the North American Free Trade Agreement (NAFTA) and the destruction of the citrus industry by citrus canker. Traditional local crops have been replaced by nursery-based agriculture. This industry is a more consistent, year-round industry, allowing the work force the opportunity to establish continuity in the area. The local tourist industry also exists for the area. The Homestead/Miami Speedway hosts several auto racing events that bring many enthusiasts to the area.

There are numerous opportunities for community development loans, investments, and services in the bank's assessment area. There are many local organizations whose primary mission is to improve the living conditions of the low- and moderate-income segment of the community by providing affordable rental housing or community services, health care, family assistance, and youth programs. Examples include the Everglades Community Association, Centro Campesino Farmworker Center, and LeJardin Community Center.

The City of Homestead Community Redevelopment Agency established several programs to promote economic development and activities that revitalize or stabilize the community. These include the City of Homestead CRA Fund and the Homestead CRA Loan Pool. Redevelopment zones designated by the federal, state, and local governments also offer community development opportunities and there are many non-profit organizations that rely on donations to fund their programs targeted to low- and moderate-income persons and families. Organizations supporting small business creation include the Haitian-American Organization for Women and The Business and Technology Development Corporation.

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

- FNBSF's quarterly average loan to deposit ratio since the last CRA examination is reasonable.

The bank maintained an average quarterly loan-to-deposit ratio of 59.60% since the last CRA evaluation. The ratio is considered reasonable considering contextual factors in the bank’s assessment area and the level of the bank’s community development lending to organizations whose primary focus is to provide affordable housing and small business lending in the AA. There are no similarly situated banks for FNBSF operating in the AA.

Lending in Assessment Area

- A majority of the number of loans made during the evaluation period were inside the AA.

The bank originated the majority of its commercial loans in the AA. A sample of 37 business loans for the evaluation period indicated that 30 of the 37 loans or 81.08% were originated in the AA. The dollar volume of loans inside the AA was \$8.3 million or 46.12% of total dollar volume of loans made during the evaluation period.

| Loan Type | Number of Loans | | | | | Dollars of Loans (000s) | | | | |
|-----------|-----------------|-------|---------|-------|-------|-------------------------|-------|---------|-------|--------|
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Business | 30 | 81.08 | 7 | 18.92 | 37 | 8,334 | 46.12 | 9,735 | 53.88 | 18,069 |

Source: A sample of business loans originated during the evaluation period.

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

- The bank’s origination of loans to businesses of different sizes is excellent exceeding the standard for satisfactory performance.

Performance under this category was focused on business lending which is the bank’s primary business strategy. A sample of 30 loans made within the assessment area indicates that 88.24% of the number of loans sampled and 87.04% of the dollar volume were to small businesses. A small business is defined as having gross annual revenues of \$1 million or less. This bank’s level of business lending exceeds the 82.59% level of businesses in the assessment area having revenues of \$1 million or less, as shown in the following table.

Table 2 - Borrower Distribution of Loans to Businesses in Broward County AA

| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 |
|------------------------------|--------------|--------------|
| % of AA Businesses* | 82.59 | 3.04 |
| % of Bank Loans in AA by # | 88.24 | 11.76 |
| % of Bank Loans in AA by \$ | 87.04 | 12.96 |

Source: Loan sample; 2010 Dunn and Bradstreet data. * 19.13% of AA businesses did not report revenue data.

Geographic Distribution of Loans

- The geographic distribution of loans is excellent exceeding the standards for satisfactory performance.

The percentage of loans to businesses originated in low- and moderate-income tracts significantly exceeds the percentage of businesses in those tracts, as shown in the following table. Our review of the bank’s commercial lending reports with census tract information indicates lending in most census tracts with no conspicuous gaps.

| Table 3 - Geographic Distribution of Loans to Businesses in 1 st NB South Florida 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 | 1.04 | 6.67 | 7.45 | 13.33 | 18.42 | 50.00 | 73.03 | 30.00 |

Source: Loan sample; 2010 Dunn and Bradstreet data.

Responses to Complaints

The bank did not receive any complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

- The bank’s performance in providing services is excellent considering the bank’s size and capacity.

Number and Amount of Community Development Loans

Community contact information indicated that affordable housing for low- and moderate-income families and small business lending are needs in the AA. During the evaluation period, the bank extended 25 loans totaling \$5.4 million to nonprofit organizations that support affordable housing particularly to the low- and moderate-income persons. Loans also went to support small business creation.

Number and Amount of Qualified Investments

During the evaluation period the bank made 381 monetary donations of \$232 thousand to organizations that support affordable housing and small business creation.

Extent to Which the Bank Provides Community Development Services

FNBSF management and staff provide technical assistance to numerous organizations in the bank's assessment area that provide services meeting the definition of community development. The bank has taken a leadership role in the formation of several of these community development organizations. FNBSF provides continuous support with loans, donations, and technical assistance to the organizations, both public and private. Examples of organizations include:

The Everglades Community Association/Rural Neighborhoods - a nonprofit organization whose primary mission is to supply affordable rental housing for low-income persons (farm workers). They have provided nearly 600 homes in the bank's AA.

Centro Compesino Farmworker Center - a Community Development Corporation (CDC) that helps to provide affordable owner-occupied housing units for low- and moderate-income families in the AA.

Le Jardin Community Center - an organization that provides preschool care to low- income families in the AA.

Camillus House - a nonprofit organization that offers shelter, medical treatment, and meals to homeless individuals.

The Homestead Housing Authority - an organization whose mission is to supply affordable rental housing for low-income persons.

Mujers Unidas En Justicia Education (MUJER) - a nonprofit organization that provides shelter and counseling primarily to migrant farm labor women and children who are victims of domestic violence and abuse.

Habitat for Humanity - a nonprofit organization dedicated to eliminating substandard housing and homelessness worldwide by partnering with people to build houses for families in need.

Haitian-American Organization for Women (HOW) - a non profit organization that supports and sponsors the creation of women and minority owned businesses.

Responsiveness to Community Development Needs

FNBSF's delivery systems are readily accessible to all segments of the bank's assessment area.

The bank has seven branches. Two branches are located in moderate-income census tracts. One branch is located outside the Homestead Air Reserve Base which is located in a census tract that received no income designation because no persons reside there. However, the bank also opened a new branch in 2009 in the Tamiami Airport area that also has no income designation. The bank operates 13 automated teller machines (ATM) located at various branch locations and one is a stand-alone location. The bank also offers VISA ATM debit cards as a means of access to checking and savings accounts and a MasterCard debit card to access home equity lines of credit.

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.