



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 22, 2007

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of South Miami  
Charter Number: 15000

5750 Sunset Drive  
South Miami, FL 33143

Office of the Comptroller of the Currency

South Florida (Miami)  
9800 Northwest 41st Street Suite 120  
Miami, FL 33178

**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.**

Major factors that support this rating include:

- The bank's loan-to-deposit ratio is marginally reasonable, given performance context.
- A substantial majority of loan originations are within the bank's assessment area, exceeding the standard for satisfactory.
- The distribution of loans among businesses of different sizes meets the standard for satisfactory performance.
- The geographic distribution of loans meets the standard for satisfactory and reflects reasonable distribution throughout the assessment area.
- The overall level and responsiveness of community development lending, investments and services is satisfactory.

## **Scope of Examination**

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from November 15, 2004, the date of the bank's last CRA examination, to October 22, 2007. However, the Lending Test concentrated on activity from January 1, 2005 to September 30, 2007. In evaluating the bank's lending performance, we reviewed business loans, the bank's primary business line. In evaluating community development, we reviewed community development loans, investments and services.

This evaluation is based on accurate data. We tested business loan data to verify that accurate data was being used at this examination. Community development loans, investments and services submitted by management were verified to ensure they met the regulatory definition for community development. Some items submitted for consideration were excluded from this evaluation because they did not meet the definition or purpose of community development.

Community credit needs in the assessment area were determined by reviewing Public Evaluations of other banks operating in the same assessment area and by conducting a community contact meeting. For this examination, we conducted a community contact with a non-profit community organization operating in South Miami whose mission is to provide affordable housing and supportive services to low- and moderate-income persons.

Overall, critical identified needs included financing for the development and construction of housing that is affordable to low- and moderate-income persons and families, financing for low- and moderate-income families to purchase housing, and financing for small businesses in order

to expand job opportunities in the assessment area. Also, there is a stated need for social services to assist low- and moderate-income persons and families, particularly job training.

## Description of Institution

Established in 1952, First National Bank of South Miami (“FNBSM”) is an intrastate commercial bank headquartered in South Miami, Florida. The bank is a wholly owned subsidiary of First Miami Bancorp Inc., a one-bank holding company. The bank has one operating subsidiary, First National South Miami Safe Deposit Company, which operates out of the bank’s office. The subsidiary, which does not influence the bank’s capacity to lend or invest in the community, is a department of the bank that provides safe deposit services to consumers and businesses in the bank’s market area.

According to the Consolidated Report of Condition as of June 30, 2007, FNBSM had total assets of \$279 million and total deposits of \$177 million. Tier One Capital equaled \$32 million. Total net loans of \$84 million represented 30 per cent of total assets and consisted of commercial real estate and construction loans (37%), commercial and industrial loans (26%), residential real estate loans (21%), consumer loans (9%), and other loans, including multi-family and farm loans, (7%).

FNBSM’s main office is located in an upper-income geography of the city of South Miami, a small-incorporated city in the southeastern portion of Miami-Dade County. In October 2006 the bank opened its first branch office in an upper-income geography of Kendall, also located in southern Miami-Dade County.

The bank offers a variety of deposit and loan products for individuals and businesses, as described in the bank’s CRA Public File. However, the bank’s primary focus is business lending. Since the last CRA evaluation, there were numerous changes in senior management and the lending staff. These changes spurred an emphasis on commercial lending rather than indirect consumer lending, which was discontinued.

There are no legal, financial, or other factors to impede the bank’s ability to meet the credit needs in its assessment area. At its last CRA examination, dated November 15, 2004, the bank was rated “Satisfactory”. At that time, the bank was evaluated using the Large Bank CRA Examination procedures. This is the bank’s first examination using the Intermediate Small Bank CRA Examination procedures.

## Description of the Miami Assessment Area

The bank’s assessment area consists of all of Miami-Dade County, which is equivalent to Metropolitan Division (MD) 33124. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

The Miami MD is a densely populated urban center. According to the 2000 Census, the total population is approximately 2.3 million people. There are 347 census tracts (geographies) in the assessment area of which approximately 8 percent are low-income, 28 percent are moderate-income, 33 percent are middle-income, and 30 percent are upper-income. The greatest

concentration of low- and moderate-income geographies can be found in the city of Miami, north of the bank's primary business area. However, a limited number are located near to the bank's office in South Miami.

Median housing prices of existing single-family homes are high and increased significantly during the early part of the evaluation period reaching approximately \$380,000. More recently housing prices have begun to decline but still remain high when compared with a HUD Adjusted Median Family Income in 2007 of \$45,200. It is clear that the unsubsidized purchase of an average single-family residence, coupled with the increasing costs for taxes and hurricane insurance, would be beyond the financial means of most individuals classified as low- and moderate-income.

The economy of the Miami assessment area is diverse. Major industries include real estate development, trade businesses with Latin America, tourism and banking. Dunn & Bradstreet data for 2007 indicates that there are approximately 305,000 non-farm businesses in the Miami assessment area, the majority (72%) of which are located in middle- and upper-income geographies. Businesses are primarily small, both in terms of number of employees and revenue size.

Banking competition is intense. FDIC data as of June 30, 2007 showed 75 institutions operating 626 banking offices of national, regional, and community banks in the Miami MD. The same data shows that FNBSM had a deposit market share of .23 percent. Competition for mortgage and small business loans is even more intense since many lenders, such as mortgage and credit card companies lend in the Miami assessment area but do not take deposits.

There are a wide range of opportunities for community development lending, investments, and services throughout the Miami MD. However, larger institutions are quite competitive for the qualified opportunities that are available. Community development opportunities include working with and providing financing to the numerous organizations whose mission is to provide affordable housing and/or community services for low- and moderate-income persons, as well as organizations with a mission of economic development. There is a federally designated Enterprise Zone that targets economic development with the goal of stimulating and retaining jobs. There are 20 areas designated as Targeted Urban Areas ("TAU") that are the focus for the Urban Economic Revitalization Plan for Miami-Dade County. There are several areas in the county designated under a Florida statute as Community Redevelopment Areas, including the South Miami Community Redevelopment Area.

Types of community development investments available in the Miami MD include, but are not limited to, participation in numerous local Community Development Corporations (CDCs") and Community Development Financial Institutions ("CDFIs") and opportunities to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing, community services for low- and moderate-income persons, and economic development. There are also opportunities for the purchase of mortgage-backed securities but, as housing prices increased, the level of opportunity has declined since housing is much less affordable to low- and moderate-income borrowers, whose mortgages are used for qualified mortgage-backed securities.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank’s performance under the Lending Test is rated “Satisfactory”.

#### Loan-to-Deposit Ratio

Based on the bank’s resources, capacity, competitive environment, and other performance context factors, the bank’s loan-to-deposit ratio meets the standard for satisfactory performance, although on a marginal basis.

FNBSM’s loan-to-deposit ratio is marginally reasonable given the bank’s resources, capacity, level of competition in the assessment area, and other performance context factors. The bank’s quarterly average loan-to-deposit ratio since the last CRA examination is 41.42 per cent. This ratio is inconsistent with that of three similarly situated banks operating within FNBSM’s assessment area, whose ratio for the same period ranged from a low of 63.85 per cent to a high of 103.70 per cent. It is also inconsistent with the overall loan-to-deposit ratio for all Florida banks of 90 percent.

However, we noted that the bank’s ratio has increased since the last examination and is currently 46.96 percent. Growth was most notable since the second quarter of 2006 when management and staffing changes began to have an overall impact. In addition, we noted that while the new branch has been successful in attracting new deposits it has not had sufficient time to attract a high level of borrowers and the management and lending strategy changes previously discussed in the ‘Description of the Institution’ portion of this document.

#### Lending in Assessment Area

Lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of loans were originated in the bank’s assessment area. Overall, 95 per cent by number and 96 per cent by dollar of businesses loans originated during the evaluation period were originated in FNBSM’s assessment area.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	135	95	7	5	142	17,967	96	666	4	18,633

Source: Bank business loan origination reports. (\$000 omitted)

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

The distribution of borrowers meets the standard for satisfactory performance.

FNBSM's distribution of loans to businesses demonstrates a reasonable penetration among businesses of different sizes. Based on all of the bank's loans evaluated at this examination (as shown in Table 2), the percentage of loans to small businesses (businesses with revenues of \$1 million or less) is lower than the percentage of small businesses in the assessment area. However, we noted the bank originated a large number of loans (approximately 40% of total loans in the assessment area) to two borrowers with revenues of more than \$1 million, which distorted the percentage of loans to businesses with revenues of more than \$1 million. We took this fact into consideration in reaching our conclusion that the level of lending to small businesses was reasonable.

<b>Table 2 – Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<b>Full Review: Miami AA</b>				
% of AA Businesses	66.44	4.08	29.28	100%
% of Bank Loans in AA by #	40.00	57.04	2.96	100%
% of Bank Loans in AA by \$	51.31	46.87	1.82	100%

*Source: Bank business loan origination reports; Dunn and Bradstreet data 2007.*

## Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance, given performance context.

The geographic distribution of loans to businesses is reasonable given the limited number of low- and moderate-income geographies near to the bank's offices. Based on the loans evaluated at this examination, the percentage of the bank's loans in low-income geographies significantly exceeds the percentage of businesses operating in low-income geographies. However, as noted above, the bank originated a large number of loans to only two borrowers. One of these borrowers is located in a low-income geography and accounts for all of the loans in low-income geographies, inflating the bank's performance in low-income geographies. We took this fact into consideration in reaching our overall conclusion.

In the moderate-income geographies, the percentage of the bank's loans is somewhat lower than the percentage of businesses operating in those geographies. Refer to Table 3 below for the complete geographic distribution of business loans.

Table 3 - Geographic Distribution of Loans to Businesses								
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	% of AA businesses	% bank loans	% of AA businesses	% bank loans	% of AA businesses	% bank loans	% of AA businesses	% bank loans
<b>Full Review:</b>								
Miami AA	4.91	23.70	22.10	11.85	32.30	25.19	40.27	39.26

Source: Bank business loan origination reports; D & B data 2007.

## Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last examination.

## COMMUNITY DEVELOPMENT TEST

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

### Number and Amount of Community Development Loans

FNBSM had a high level of community development loans that overall showed excellent responsiveness to community development needs in the bank’s assessment area.

During the evaluation period, FNBSM had 16 community development loans totaling \$7.3 million. Of the total, 44 percent of community development loan dollars assisted with affordable housing needs in the bank’s assessment area, a need that is considered critical within the bank’s assessment area. Approximately 36 percent of community development loan dollars assisted in revitalizing and stabilizing low- and moderate-income geographies within the bank’s assessment area, and remaining community development loan dollars assisted with economic development needs in the assessment area, bringing new jobs for low- and moderate-income workers.

### Number and Amount of Qualified Investments

FNBSM had 18 qualified investments totaling \$3.1 million that showed a very limited level of responsiveness to community development needs in the bank’s assessment area. Of total investments, 13 investments equaling \$2.7 million are new investments during the evaluation period. The remaining investments were prior period investments that remain on the books of the bank.

About 96 percent of new investment dollars are regional mortgage-backed securities, for which the collateral is a pool of mortgage loans to low- and moderate-income borrowers. Mortgage-backed securities are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded. However, only a very limited number of the mortgages backing the bank’s investment were to low- and moderate-income borrowers in the bank’s

assessment area, limiting the responsiveness to assessment area needs. The bank's prior period investments were also a mortgage-backed security.

Remaining investments were donations to organizations operating within the bank's assessment area whose primary purpose meets the definition of community development.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides a satisfactory level of community development services in its assessment area, given the bank's size and capacity.

Historically, the bank has assisted a community service organization that provides job training for low- and moderate-income persons in Miami-Dade County by hiring program graduates. These employees require substantial management time and mentoring. During the evaluation period, FNBSM hired 19 such employees and is the only bank in the area to do so.

In addition, four FNBSM officers provided technical assistance to assessment area organizations that support qualified community development activities. A bank officer serves on the board of an organization that provides affordable housing and support services to low- and moderate-income persons with mental disabilities. Affordable housing is a primary need in the bank's assessment area. Another officer serves on the advisory board of an organization whose primary purpose is to revitalize and stabilize low- and moderate-income communities in South Miami and another officer is active in a council that assists in the economic development in southern Miami-Dade County. Finally, another officer serves on the board of an organization that provides community services to primarily low- and moderate-income individuals and geographies in the South Miami area, including scholarships to low- and moderate-income youth.

### **Responsiveness to Community Development Needs**

The bank's overall community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of opportunities for community development activities in the bank's assessment area.

### **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.