



**PUBLIC DISCLOSURE**

May 15, 2017

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Eastern National Bank  
Charter Number 15748

9700 South Dixie Highway  
Miami, FL 33156

Office of the Comptroller of the Currency

Miami Field Office  
9850 N.W. 41 Street, Suite 260  
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: Outstanding.**

The major factors that support this rating include:

- The Bank's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- Lending in the assessment area (AA) meets the standard for satisfactory performance with a majority of the number and dollar volume of loans in the AA.
- The distribution of loans to businesses of different sizes exhibits reasonable penetration and meets the standard for satisfactory performance.
- The geographic distribution of loans within the AA exhibits reasonable dispersion and meets the standard for satisfactory performance.
- The Bank's community development performance demonstrates an excellent responsiveness to community development needs in its AA through a combination of community development loans, investments, and services.

## **Scope of Examination**

We evaluated Eastern National Bank's (ENB) Community Reinvestment Act (CRA) performance using Intermediate Small Bank Performance criteria. Our evaluation period was July 7, 2014, the date of the last CRA examination, through May 14, 2017. In consideration of changes to demographics and geographies related to the 2015 Census effective in 2017, the lending test evaluation period is from January 1, 2014 through December 31, 2016, for the analyses to determine the level of lending in the AA, the geographic distribution of loans, and lending to businesses of different sizes. The evaluation period for qualifying investments, community development loans, and community development services is July 7, 2014 through December 31, 2016.

We evaluated the Bank's performance based on its strategy to lend to domestic businesses, including international trade financing, in Miami-Dade County as well as to international customers (primarily correspondent banks). This evaluation is based on accurate data verified through the selection of a sample of business loans to conduct our analysis. The Bank originates residential loans; however, residential lending is not a primary business line for the Bank, and the residential lending volumes during the evaluation period did not produce a meaningful analysis of home purchase, home improvement, and home refinance loans. Therefore, we omitted Tables 2 and 3 that would have displayed the analyses of residential lending to borrowers of different incomes and the geographic distribution of residential loans.

## Description of Institution

Eastern National Bank (ENB) is an intrastate community bank headquartered in Miami, Florida. ENB is owned by Mercorp, N.V. (Mercorp), a Netherlands Antilles corporation. Mercorp is owned by Corpofin, C.A., which is controlled by the Venezuelan government because of the government's intervention in Corpofin. ENB has three operating subsidiaries, formed for real estate holdings, and no affiliates. The subsidiary activity is not relevant to this evaluation and such activity does not affect the Bank's ability to lend or invest in its community.

For most of the evaluation period, ENB operated five branches in Miami-Dade County including two in the City of Miami, one in Hialeah, one in Kendall, and one in Coral Gables. None of the Bank's branches are located in low- or moderate-income geographies. However, all of the branches are adjacent to moderate-income geographies with one also adjacent to a low-income geography. During 2016, ENB moved its operational and administrative offices from 799 Brickell Plaza in downtown Miami (upper-income geography) to 9700 S. Dixie Highway in Miami (moderate-income geography). This caused the branch located at 799 Brickell Plaza to close and one was opened at the 9700 S. Dixie Highway location.

The Bank offers a variety of deposit and loan products for businesses and individuals as described in the CRA Public File. ENB's primary business strategy is business lending that also includes international trade finance.

As of December 31, 2016, tier 1 capital totaled \$40 million, or 8.85 percent of average assets and the Bank had total assets of \$424 million. Loans totaled \$376 million, or 89 percent of total assets. The loan portfolio composition is approximately 36 percent commercial real estate, 33 percent commercial and industrial, 30 percent residential, and one percent consumer loans. Loans to foreign borrowers account for approximately 25 percent (\$95 million) of the Bank's loan portfolio. Total deposits were \$351 million of which approximately 46 percent (\$163 million) were from foreign depositors (primarily Venezuelan and Guatemalan customers), which indicates that, in part, domestic loans are being funded by foreign deposits. Foreign depositor and borrower information is derived from the Bank's external audit report as of December 31, 2016.

There are no legal, financial, or other factors that impede the Bank's ability to meet the credit needs in its AA. ENB received an "Outstanding" rating in its last CRA Performance Evaluation dated July 7, 2014.

## Description of Assessment Area

The Bank's AA is Miami-Dade County, which is also known as Metropolitan Division (MD) 33124 (Miami-Miami Beach-Kendall, Florida). The delineated AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

According to the 2010 Census, the Miami-Dade MD increased to 518 geographies distributed as follows: 31 (6 percent) low-income, 132 (26 percent) moderate-income, 166 (32 percent) middle-income, 172 (33 percent) upper-income, and 17 (3 percent) no income data. The majority of the low- and moderate-income geographies are located within the City of Miami. The total population is approximately 2.5 million. Between the 2000 and 2010 Census, the population increased 10.8 percent with the continued influx of immigrants from Latin America and the Caribbean, and the relocation from northern cities in the United States.

The cost of living in the Miami-Dade MD remains high even though there are indications of improvements in unemployment, real estate foreclosures, and other economic conditions during the evaluation period. Unemployment as of December 2016 was 4.7 percent and has trended lower compared to 10.3 percent in 2011 and 13.6 percent in 2010, which represent years of high unemployment. The Federal Financial Institutions Examination Council's (FFIEC) adjusted median family income (MFI) for Miami-Dade County was \$48,400 for 2014, and \$52,500 for 2015, and \$48,100 for 2016.

Based on the median family income, low- and moderate-income (LMI) people have incomes of less than 80 percent of the median family income, or less than \$38,700, \$42,000, and \$38,480, respectively, for the years discussed previously. The poverty level remains high at approximately 18 percent for both the 2000 and 2010 Census reports of demographic information. As home values recover, home sales prices are rapidly increasing in the AA, with the median sales price of a single-family home at \$280,000 for year-end 2015, increasing to \$315,000 as of the third quarter of 2016. The high median cost makes it difficult for LMI people to own a home in the AA without the help of loan subsidies. In addition, the high property tax and insurance premiums add significant cost to owning a home. Homeowner association fees, where applicable, also add to the cost.

Major industries include real estate development, trade business with Latin America, and tourism. According to Dun and Bradstreet, there were 354,431 non-farm businesses in the Miami-Dade MD for 2015 (the most recent business peer data available), of which 79.54 percent are considered to be small businesses. Small businesses are defined as having revenues of \$1 million or less. The majority (73.20 percent) of all non-farm businesses are concentrated in the County's middle- and upper-income geographies. The Federal Deposit Insurance Corporation (FDIC) deposit data as of June 30, 2016 showed 65 banks operating 670 banking offices in the Miami-Dade MD. ENB ranks 43<sup>rd</sup> in deposit market share at 0.26 percent.

Community credit needs in the AA were determined by reviewing CRA Performance Evaluations of other banks operating in the same AA and community contacts conducted during the evaluation period. According to these sources, the most pressing credit needs in the AA are affordable housing and small business lending.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The Bank’s performance under the Lending Test is rated **Satisfactory**.

#### Loan-to-Deposit Ratio

- **ENB's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.**

The Bank’s quarterly average loan-to-deposit (LTD) ratio since the last CRA performance evaluation is 102.69 percent and is above the range of similarly situated banks in the AA for the same time period. Six similarly situated banks had a quarterly average LTD ratio of 83.06 percent during the same period, with individual quarterly average ratios ranging from 61.32 percent to 93.90 percent. Similarly situated banks included Executive National Bank, Continental National Bank, Professional Bank, International Finance Bank, Pacific National Bank, and Intercredit Bank, National Association.

#### Lending in Assessment Area

- **A majority of the Bank's lending activity is located inside its AA and meets the standard for satisfactory performance.**

A majority of the Bank's lending activity is located within its AA. We reviewed a sample of 60 business loans that originated during the evaluation period. However, two (2) of the 60 loans had multiple properties, in which each property was considered in order to properly make an assessment and give credit to the properties located within the Bank’s AA. Therefore the number of loans was adjusted to 74 loans. The loan amounts of the two loans was allocated between in and outside the AA. Of the loans sampled, the Bank originated 57, or 77.03 percent of the number of loans, and \$41.5 million, or 51.28 percent of the dollar volume of loans, inside the AA. The distribution is illustrated in the table below.

<b>Table 1 - Lending in Miami-Dade MD</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	57	77.03%	17	22.97%	100%	\$41,589	51.28%	\$39,514	48.72%	\$81,103

*Source: Sample of 60 loans taken from loan origination reports January 1, 2014- December 31, 2016. Adjusted for multiple-property loans.*

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

- **The distribution of loans to businesses of different sizes exhibits reasonable penetration and meets the standard for satisfactory performance.**

The distribution of loans originated in the AA to businesses of different sizes exhibits reasonable penetration. In the Bank’s Miami-Dade AA, the number of the Bank’s loans and the dollar volume was below the percentage of small businesses (businesses with revenues of \$1 million or less) in the AA. ENB’s performance was impacted by the Bank’s conservative-to-moderate underwriting during the evaluation period. ENB and all banks operating in the AA experienced economic challenges as the economy was in a state of recovery from the recession that slowed real estate and other business lending.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Miami-Dade MD</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	90.71%	4.07%	5.22%	100%
% of Bank Loans in AA by #	48.33%	11.67%	40.00%	100%
% of Bank Loans in AA by \$	37.66%	14.15%	48.19%	100%

Source: Loan sample had 57 loans inside the assessment area. Dun and Bradstreet data 2016.

### Geographic Distribution of Loans

- **The geographic distribution of loans within the AA exhibits reasonable dispersion and meets the standard for satisfactory performance.**

The geographic distribution of loans within the AA exhibits reasonable dispersion. As depicted in the following table for the evaluation period, ENB’s loan originations in low-income geographies is below the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of the Bank’s loans is near to the percentage of businesses located in such geographies. There are no unexplained conspicuous gaps in the Bank’s lending patterns. Geographies in the AA without loan penetration are due to ENB’s limited number of offices and the large AA served. These limitations prevent the Bank from penetrating all areas in the AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Miami-Dade MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Business Loans	28.56%	10.53%	40.08%	38.60%	47.58%	29.82%	13.84%	21.05%

Source: Loan sample had 57 loans inside the assessment area. U.S. 2010 Census data.

### Responses to Complaints

The Bank received no CRA performance related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The Bank's performance under the Community Development Test is rated **Outstanding**.

The Bank's community development performance demonstrates an excellent responsiveness to community development needs in its AA through a combination of community development loans, investments, and services. Considering the Bank's capacity and economic challenges during the evaluation period, community development lending in the AA was excellent and provided for affordable housing in the AA.

### **Number and Amount of Community Development Loans**

Given the Bank's conservative-to-moderate underwriting and economic challenges experienced during our review period, ENB originated an excellent level of community development loans. During the evaluation period, ENB made three (3) community development loans totaling approximately \$8.0 million. These loans were to support affordable housing for low- and moderate-income people in the AA.

### **Number and Amount of Qualified Investments**

ENB had an adequate level of community development investments with six (6) qualifying community development investments totaling \$2.77 million. Of the total investments \$2.48 million, or 89 percent, represent prior period investments made before this evaluation period that remain on the Bank's books. Current period investments totaled \$298,000.

Prior period investments include:

- Approximately 81 percent of prior period investments, or \$2 million, are in the CRA Qualified Investment Fund. These funds are invested in two affordable housing projects in Miami-Dade County.
- The remaining prior period investments, totaling \$476,000, are in three different minority-owned financial institutions, and two local community organizations that continue to operate loan funds to finance community development.

The Bank has three certificates of deposit in community development financial institutions, and each have been renewed three times over the evaluation period. During the evaluation period the Bank also increased the existing certificates of deposit in two of these financial institutions, each increasing by \$149,000 to \$249,000. One certificate of deposit is at a minority-owned financial institution in Miami-Dade County.

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

The Bank provides an excellent level of community development services through its branches, products, services, and activities with local organizations that support community development actions. Outside of the main branch relocating, there were no other branches opened or closed

during this evaluation period. The relocation of the branch was due to ENB relocating their corporate office.

As mentioned earlier, ENB has five branches. Prior to the main office relocation in 2016, none of its offices were located in a low- or moderate-income geography. With the relocation of the main office, it is now located in a moderate-income geography. All other branches are adjacent to moderate-income geographies with one office also adjacent to a low-income geography. Three branches, including the one in Hialeah, offer ATM services.

The Bank offers a variety of consumer and commercial banking products and services as described in the CRA Public File. Of particular note is a free checking account for persons 62 or more years of age and a low-cost checking account that can be opened with no minimum balance.

ENB is an active contributor to various community outreach programs and employees participate in community activities with groups such as the Community Reinvestment Group (CRG). Bank employees are involved in providing technical expertise to non-profit organizations serving low- and moderate-income needs. Additionally, employees volunteer their time to non-profit organizations such as KAPOW (Kids and the Power of Work). This youth program is a program of the National Child Labor Committee and promotes educating elementary children about work and working through partnerships among businesses, communities, and schools. Two Bank officers participate in this program promoting work and banking principles. The Bank donates financial resources primarily to those organizations in which its staff are currently active.

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

The volume and responsiveness of ENB to the community development needs of the AA is excellent. The Bank is aware of affordable housing needs, small business needs, and the need for services to low- and moderate-income people in the AA. Community contacts consistently rank affordable housing as the most pressing need in Miami-Dade County.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a National Bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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