



PUBLIC DISCLOSURE

July 07, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eastern National Bank
Charter Number 15748

799 Brickell Plaza
Miami, FL 33131

Office of the Comptroller of the Currency

9850 N.W. 41st 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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors that support this rating include:

- The Bank's loan-to-deposit ratio was more than reasonable over the evaluation period.
- A substantial majority of loan originations are within the Bank's assessment area.
- The distribution of loans among businesses of different sizes is reasonable and exhibits good penetration.
- The geographic distribution of loans exhibits an excellent dispersion of loans in low- and moderate-income geographies.
- The level and responsiveness of community development lending, investments and services in the assessment area is excellent.

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 August 8, 2011, the date of the last CRA examination, through July 6, 2014. In consideration of changes to demographics and geographies related to the 2010 Census update during the evaluation period, the lending test evaluation period is from January 1, 2012 through December 31, 2013 for the analyses to determine the level of lending in the assessment area, 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 August 8, 2011 through July 6, 2014.

We evaluated the Bank's performance based on its strategy to lend to United States 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 Mercop, N.V. (Mercorp), a Netherlands Antilles corporation. Mercop is owned by Corpofin, C.A., which is controlled by the Venezuelan government because of the government's intervention of Corpofin. ENB has three operating subsidiaries, formed for real estate holdings, and no affiliates. The subsidiary activity is not relevant to this examination and such activity does not affect the Bank's ability to lend or invest in its community.

ENB operates five branches in Miami-Dade County including two in the City of Miami, and one each in Hialeah, Coral Gables and Kendall. None of the Bank's branches is located in low- or moderate-income geographies. 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 (including international trade finance).

As of March 31, 2014, tier 1 capital totaled \$35.6 million or 9.51 percent of Adjusted Average Assets and the Bank had total assets of \$373.7 million. Loans totaled \$321.5 million or 86 percent of total assets. The loan portfolio composition is approximately 40 percent commercial and industrial, 39 percent commercial real estate, 20 percent residential, and one percent consumer loans. Loans to foreign borrowers account for approximately 30 percent of the Bank's loan portfolio. Total deposits were \$335.4 million of which 54.9 percent were from foreign depositors (primarily Venezuelan and Guatemalan), which indicates that, in part, domestic loans are being funded by foreign deposits. The deposit information is according to the Bank's internal concentration report as of December 31, 2013.

There are no legal, financial, or other factors that impede the Bank's ability to meet the credit needs in its assessment area. ENB received a "Satisfactory" rating in its last CRA Performance Evaluation dated August 8, 2011.

Description of Assessment Area(s)

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

According to the 2000 Census, the Miami-Dade MD consists of 347 geographies distributed as follows: 27 (8 percent) low-income, 99 (29 percent) moderate-income, 114 (33 percent) middle-income, 104 (29 percent) upper-income and three (1 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.

According to the 2010 Census, the Miami-Dade MD geographies 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 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 31, 2013, was 6.8 percent and has decreased compared to 10.3 percent in 2011 and 13.6 percent in 2010 that represent years of high unemployment. The Department of Housing and Urban Development (HUD) estimated median family income is \$51,900 for 2011, \$51,600 for 2012, and \$49,000 for 2013. 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 \$41,520, \$41,280, and \$39,200, respectively for the years discussed. The poverty level remains high at approximately 18 percent for both the 2000 and 2010 Census reports of demographic information. Housing costs are high with the median sales price of a single-family home of \$235,000 as of August 2013, according to the most recent assessment by the Miami Association of Realtors. The high median cost makes it difficult for LMI people to own a home in the assessment area without the help of loan subsidies. In addition, the high property tax and insurance premiums add significant cost to owning a home.

Major industries include real estate development, trade business with Latin America, and tourism. According to Dunn and Bradstreet, there were 430,864 non-farm businesses in the Miami-Dade MD for 2013 of which 70.89 percent are considered to be small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73 percent) of all non-farm business are concentrated in the County's middle- and upper-income geographies. The banking industry is very competitive in the assessment area. The Federal Deposit Insurance Corporation (FDIC) deposit data as of June 30, 2013 showed 69 institutions operating 687 banking offices in the Miami-Dade MD. ENB ranks thirty-eighth in deposit market share at 0.34 percent.

Community credit needs in the assessment area were determined by reviewing CRA Performance Evaluations of other banks operating in the same assessment area and by conducting one community contact with a nonprofit community service organization that operates in the assessment area. We determined that the most pressing credit needs in the assessment area are affordable housing and small business lending. The contact also indicated that small business owners need financial technical assistance from banks and an understanding of how technology could help them maintain their financial records.

Conclusion with Respect to Performance Tests

LENDING TEST

The Bank’s performance under the Lending Test is rated **“Outstanding”**.

Loan-to-Deposit Ratio

- **ENB’s loan-to-deposit ratio is more than reasonable and meets the standard for outstanding performance.**

The Bank’s quarterly average loan-to-deposit ratio since the last CRA Performance Evaluation is 93.52 percent and is above the range of other similarly situated banks in the assessment area for the same time period. The similarly situated banks had quarterly average ratios ranging from 64.66 percent to 72.15 percent. Similarly situated banks included Continental National Bank, Terrabank, N.A., Pacific National Bank, and First National Bank of South Florida.

Lending in Assessment Area

- **Lending in the AA exceeds the standard for satisfactory performance.**

A substantial majority of the Bank's lending activity is located within its AA. We reviewed a sample of 60 business loans that originated during 2012 and 2013. Of the loans sampled, the Bank originated 55 or 91.67 percent of the number of loans and \$21.8 million or 71.90 percent of the dollar volume of loans in the AA. The distribution is illustrated in the chart below.

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	55	91.67%	5	8.33%	100%	\$21,793	71.90%	\$8,518	28.10%	\$30,311

Source: Sample of 60 loans taken from loan origination reports January 1, 2012- December 31, 2013.

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 assessment area, the number of the Bank’s loans was near to the percentage of small businesses (businesses with revenues of \$1 million or less) in the assessment area. The dollar volume of the Bank’s loans to small businesses exceeds the percentage of small businesses in the assessment area, as depicted in the following table.

Table 2A - Borrower Distribution of Loans to Businesses in Miami-Dade MD				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.89%	2.76%	26.35%	100%
% of Bank Loans in AA by #	51.16%	48.84%	0.00%	100%
% of Bank Loans in AA by \$	79.86%	20.14%	0.00%	100%

Source: Loan sample had 43 loans inside the assessment area. Dun and Bradstreet data 2013.

Geographic Distribution of Loans

- **The geographic distribution of loans within the assessment area exhibits excellent dispersion and exceeds the standard for satisfactory performance.**

The geographic distribution of loans within the AA exhibits excellent dispersion and exceeds the standard for satisfactory performance. As depicted in the following table for the years 2012 and 2013, ENB’s loan originations in low-income geographies exceed the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of the Bank’s loans also exceeds 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.

Source: Loan sample had 43 loans inside the assessment area. U.S. 2010 Census data.

Table 3A - Geographic Distribution of Loans to Businesses in Miami-Dade MD								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses/ Number of Loans	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	3.10%	4.65%	22.28%	48.84%	27.62%	9.30%	45.47%	37.21%

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 assessment area 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

Considering the Bank's capacity and economic challenges, ENB originated an excellent level of community development loans. During the evaluation period ENB made 12 community development loans totaling \$8.2 million. The majority of these loans were to support affordable housing for low- and moderate-income people in the AA. The Bank also has a loan to a charter school (Lawrence Academy) that services low- and moderate-income youth with 83 percent of the students receiving free lunch. Community development loans represent approximately 23 percent of tier 1 capital.

Number and Amount of Qualified Investments

ENB had an adequate level of qualifying community development investments with 15 investments totaling \$3.1 million. Of the total investments, \$1.6 million or 51 percent represent prior period investments made before this evaluation period that are still on the Bank's books. Current period investments totaled \$1.5 million or 49 percent of total investment and represent 4.33 percent of tier 1 capital.

Prior period investments include:

- Approximately 95 percent of prior period investments or \$1.5 million is in an investment fund that specializes in CRA qualified investments. The funds are invested in two affordable rental housing projects in Miami-Dade County.
- The remaining prior period investments totaling \$80 thousand are in four local community organizations that continue to operate loan funds to finance community development activities, primarily affordable housing.

During the current period, the Bank increased its investments in the CRA Qualified Investment Fund by \$500 thousand, representing 32 percent of current period investments. These funds were used for an investment in an affordable rental housing project in Miami-Dade County. The Bank also opened a new certificate of deposit for \$100 thousand at a minority-owned financial institution that has two operating branches in Miami-Dade County. The certificate of deposit renewed during the current period. The Bank has three other certificates of deposits each in a community development financial institution, which have been renewed twice, totaling \$844 thousand.

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. There were no branches opened or closed during this evaluation period.

Of ENB's five branches, none is located in a low- or moderate-income geography. However, the Hialeah branch is located in a middle-income geography and is easily accessible to three adjacent moderate-income geographies. 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 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 and two other Bank staff 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 C.F.R. 25.28(c), or 12 C.F.R. 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.