



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 24, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

JGB Bank, N.A.
Charter Number: 14804

8200 NW 33rd Street
Doral, FL 33122

Office of the Comptroller of the Currency

South Florida (Miami)
9800 NW 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.

The major factors that support this rating include:

- The bank's average quarterly loan-to-deposit ratio since the last examination is excellent.
- A majority of loan originations are within the bank's assessment area.
- The distribution of loans among businesses of different sizes is poor, given the demographics of the assessment area.
- The geographic distribution of loans reflects excellent distribution within the assessment area.
- The overall level and responsiveness of community development lending, investments and services is adequate.

Scope of Examination

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. In evaluating the bank's lending performance, we reviewed loans to businesses, the bank's primary loan product. Overall, loans to businesses represent 76 percent of the bank's loan portfolio and 90 percent of loans originated during the Lending Test evaluation period.

The evaluation period ranged from November 19, 2008, the date of the last CRA examination, to October 24, 2011. However, the Lending Test concentrated on activity from January 1, 2009 to December 31, 2011. The Community Development Test concentrated on activity from November 19, 2008 to October 24, 2011.

The evaluation is based on accurate data. Loan reports and community development loans, investments, and services submitted by bank management were verified to ensure accuracy and that, where applicable, they met the regulatory definition for community development.

Description of Institution

JGB Bank, N. A. (JGB), formerly known as Eagle National Bank of Miami until March 2009, is an intrastate community bank headquartered in Doral (Miami-Dade County), Florida. The bank has no operating affiliates or subsidiaries that would impact this examination and is wholly owned by JGB Financial Holding Company, also located in Doral. The bank operates six branches in Miami-Dade County including one in the bank's headquarters location. Other

branches are located in Aventura, the City of Miami, Medley, Miami Beach, and Coral Gables. Both the Miami Beach and Coral Gables branches, neither of which is located in a low- or moderate-income geography, were opened since the last examination. No branches were closed.

The bank offers a variety of deposit and loan products for businesses and individuals, as described in the CRA Public File. While various loan products are offered, the bank's primary focus is business lending. As of December 31, 2010 the bank had total assets of \$365 million and total deposits of \$274 million. Total loans (net of unearned income and allowance), which represent 68 percent of total assets, equaled \$250 million and consisted of 41 percent commercial and industrial loans, 35 percent commercial real estate loans, 14 percent residential real estate loans (1 to 4 family homes), and 7 percent multi-family real estate loans. Remaining loans include "other" loans as well as consumer loans. Tier 1 Capital totaled \$41.4 million. The bank was not profitable in 2009 or 2010.

It is important to note that 21 percent of the bank's deposits, or \$57.5 million, are from foreign customers. Although the bank lends to business entities and residents from outside the United States, such lending is very limited (\$9.4 million) and represents only 4 percent of the bank's total loan portfolio, indicating that portions of domestic loans are funded with foreign deposits. Our evaluation of the bank's performance takes this factor into consideration.

During this evaluation period the bank faced considerable challenges to its ability to help meet credit and community development needs in its assessment area. The financial crisis, which severely impacted the national and local economy, had a negative impact on the bank's ability to originate new loans and the ability of borrowers to repay existing obligations. These factors were considered as part of this evaluation.

The bank was rated satisfactory at its last CRA examination, dated November 19, 2008.

Description of Assessment Area(S)

JGB's assessment area is comprised of all of Miami-Dade County, which is equivalent to Metropolitan Division 33124 (Miami-Miami Beach-Kendall, FL). The assessment area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

Based on the 2000 Census, the assessment area consists of 347 census tracts (geographies) of which 27 (8 percent) are low-income, 99 (29 percent) are moderate-income, 114 (33 percent) are middle-income, and 104 (30 percent) are upper-income. Also, there are three census tracts for which there is no income designation. Low- and moderate-income tracts are generally concentrated in the city of Miami where approximately 16 percent of the population resides. The 2000 Census reported a total county population of 2.25 million but the 2010 Census reports a population increase of approximately 11 percent to 2.5 million. Also for 2010, the HUD Adjusted Median Family Income for Miami-Dade County was \$52,200.

The economy of the assessment area is weak and continues to suffer from the housing crisis and related job losses. As of September 2011 the unemployment rate in Miami-Dade County was 11.5 percent, according to the Florida Department of Economic Opportunity, compared with a rate of 6.1 percent at the time of our last evaluation. Job losses came primarily in construction

and related sectors. Housing starts have declined significantly. In 2009 only 624 permits were issued for single-family home construction compared with 9,922 at the height of the housing boom in 2005. Construction levels have increased with 1,027 single-family permits issued in 2010 but economists indicate that the Miami area is the most overbuilt housing market in Florida. Miami's strong international trade and tourist ties are expected to lead the economic recovery and healthcare continues to provide job opportunities. Baptist Health Systems and Jackson Health System are primary employers in Miami-Dade County. Employment data shows a need for the creation of new jobs either through the creation of new businesses or the expansion of existing ones, which leads to a need for business loans. The need for small loans for small businesses was articulated at a community contact made for this examination.

Florida and Miami-Dade County continue to have some of the highest foreclosure rates in the nation and continued foreclosure activity is expected to cause median housing prices to decline even further. According to the National Association of Realtors the median sales price of an existing single-family home in the Miami Metro area declined to \$166,000 in the first quarter of 2011. At our last examination we noted the figure was \$310,000 as of the second quarter of 2008. Foreclosure activity has caused an increased demand for rental housing, with a current vacancy rate of only six percent. The rise in demand has increased rent levels and there is an increased demand for rental units that are affordable to low- and moderate-income families, many of whom have been impacted by the high unemployment rates. This need was confirmed by a review of information from the Miami-Dade Neighborhood Stabilization Program and community contacts conducted by the OCC as part of other examinations.

Banking competition within the assessment area is high. In addition to community and mid-size banks, branches of the largest banks in the country operate in Miami-Dade County. As of June 30, 2011, there were 70 deposit taking financial institutions in Miami-Dade County operating 660 branches. In terms of deposits, JGB is ranked 39th, with a deposit market share of .33 percent. The market is dominated by Wells Fargo Bank and Bank of America with a combined deposit market share of 24 percent.

Opportunities for community development lending and investments throughout the bank's Miami-Dade County assessment area are limited. Affordable housing organizations and local governmental entities have been focusing their efforts on using Neighborhood Stabilization Program funding to acquire foreclosed properties, rehabilitating them, and making them available for sale to low- and moderate-income persons or families. Recent reports in local newspapers indicate they may have met with limited success. The availability of qualified mortgage-backed securities, once a common community development investment particularly for small-intermediate institutions, has become very limited due to the dramatic decline in home purchases by low- and moderate-income families. Opportunities exist to contribute to qualified non-profit organizations however this option is limited by the financial strength of many financial institutions. Economic development and revitalization and stabilization opportunities exist in the assessment area. There are federal and local designated zones targeted for redevelopment by revitalizing the areas and/or attracting new businesses and expanding existing ones, but such opportunities are limited by the factors previously discussed. Conditions and opportunities in the assessment area were taken into consideration during this evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

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

Loan-to-Deposit Ratio

JGB’s loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank’s loan-to-deposit ratio is more than reasonable given the institution’s size and performance context factors.

The bank’s quarterly average loan-to-deposit ratio since the last CRA examination is 94.89 percent, ranging from a high of 114.60 percent in the first quarter of 2009 to a low of 78.89 percent in the first quarter of 2011. The bank’s ratio exceeds the 65.35 percent quarterly average ratio for the same time period of eight banks in JGB’s peer group that are also headquartered in the bank’s assessment area. These quarterly average ratios range from a low of 40.07 percent to a high of 86.93 percent. JGB’s ratio also exceeds the 81.26 percent average quarterly ratio for the same period for all banks in the peer group headquartered in Florida.

Lending in Assessment Area

The level of lending in the bank’s assessment area meets the standard for satisfactory performance. A majority of loan originations are in the bank’s assessment area. Specifically, 85 percent of the number of loans and 82 percent of the dollar volume of loans originated during the evaluation period were originated in JGB’s assessment area.

Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	97	85%	17	15%	114	101,233	82%	22,020	18%	123,253

Source: Bank loan origination reports.

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

Based on the demographics of the assessment area, the distribution of loans to businesses of different sizes reflects poor penetration and does not meet the standard for satisfactory performance. As shown below, the level of the bank’s loans to small businesses (businesses with gross annual revenues of \$1 million or less) is significantly lower than the level of such businesses operating in the assessment area.

Table 2 - Borrower Distribution of Loans to Businesses in Assessment Area

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81.30%	3.44%	15.26%	100%
% of Bank Loans in AA by #	18.56%	55.67%	25.77%	100%

Source: Bank loan origination reports; CRA Wiz Reports 2010.

Geographic Distribution of Loans

The geographic distribution of loans within the assessment area exceeds the standard for satisfactory performance. The geographic distribution of loans reflects excellent dispersion within the assessment area, based on an assessment of lending in all income geographies. In both low- and moderate-income geographies, the percentage of the bank’s loan originations exceed the percentage of businesses operating in such geographies, as shown below.

Table 3 - Geographic Distribution of Loans to Businesses in the Assessment Area								
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
Loans to Businesses	4.08%	5.15%	20.30%	29.90%	32.22%	21.65%	42.88%	41.24%

Source: Bank loan origination reports; CRA Wiz Reports 2010.

In addition, 2.06 percent of the bank’s loans were to businesses located in geographies where the income designation is unknown. At the time of the 2000 Census there was not sufficient population in the geography to determine a designation.

Responses to Complaints

The bank received no complaints regarding its CRA performance since the last examination.

COMMUNITY DEVELOPMENT TEST

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

Considering the bank’s capacity and the availability of opportunities for community development that exist in the assessment area, JGB’s community development performance demonstrates adequate responsiveness to community development needs through a combination of community development loans, qualified investments, and community development services. Community development lending in the assessment area is excellent primarily helping to meet economic development needs allowing businesses to expand and hire additional employees. Community development investments are adequate, given performance context, and help to meet

affordable housing needs. Community development services are adequate and include a branch in a moderate-income geography as well as low-cost checking account products.

Number and Amount of Community Development Loans

The bank's community development loans represent excellent responsiveness to community development needs. During the evaluation period, JGB originated nine community development loans in the assessment area totaling \$3.4 million. Virtually all community development loan activity helped to meet economic development needs in the assessment area by helping to support permanent job creation and retention for employees who are currently low- and moderate-income. Of the seven loans, six are Small Business Administration (SBA) 504 Certified Development Company loans. The remaining loan is to a small business to enable it to open a new location, providing permanent new jobs that pay salaries that meet the definition of low- or moderate-income.

In addition there are two loans in the assessment area totaling \$46,000 that help to meet affordable housing needs. These loans represent the bank's participation share in a loan pool established by a non-profit organization that provides financing for affordable housing construction. At both projects, residency is restricted to persons who do not earn more than 60 percent of the area's median income. Combined, the projects provide 445 units of housing affordable to low- and moderate-income residents. A similar affordable housing loan also associated with the same organization, but outside the bank's assessment area, was also originated. Since the bank adequately met community development loan needs in its assessment area, consideration was given to this \$8,000 loan.

Number and Amount of Qualified Investments

JGB's community development investment represents adequate responsiveness to assessment area needs, given performance context. The bank has an investment of \$750,000 in a CRA investment fund which helps to meet affordable housing needs in the assessment area. Of the investment, \$500,000 is invested in a security backed by a mortgage on a Low Income Housing Tax Credit project that provides 214 units of housing affordable to residents with income at or below 60 percent of the area median income. The remaining \$250,000 is similarly invested. It is backed by a mortgage on a 151 unit rental complex for seniors who receive Section 8 assistance. This complex was also allocated Low Income Housing Tax Credits.

Extent to Which the Bank Provides Community Development Services

The bank's community development services are adequately responsive to assessment area needs. Of JGB's six branches, the Biscayne Branch in Miami, representing 17 percent of the bank's branch network, is located in a moderate-income geography. This compares favorably with the fact that 20 percent of businesses and 29 percent of households in the assessment area are located in moderate-income geographies. The bank has no branches in low-income geographies however, only five percent of assessment area households reside in low-income geographies and four percent of businesses are located there. The branch offers the bank's full line of services and provides extended hours on Friday, a night drop, and ATM facilities. It

should also be noted that the branch is located in the Wynwood neighborhood of Miami-Dade's Federal Empowerment Zone. The Empowerment Zone is a federal designation established to help create economic opportunity and revitalization in economically distressed communities. In addition, the bank offers a free checking account with only a \$100 opening balance to customers using direct deposit.

Also, beginning in 2011, a bank officer provides his financial expertise to a non-profit organization in the assessment area that assists low- and moderate-income persons with developmental disabilities. The organization's main facility is located in a low-income geography in downtown Miami and the majority of participants receive Medicaid assistance.

Responsiveness to Community Development Needs

Given the opportunities in the assessment area, the bank's community development activities have an adequate level of responsiveness to critical assessment area needs. The bank's community development loans help to provide economic development resulting in additional jobs and investments help to provide affordable housing alternatives to low- and moderate-income persons in the bank's assessment area. The bank's Biscayne Branch provides financial services in a moderate-income geography.

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.