



LARGE BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

November 15, 2004

Community Reinvestment Act Performance Evaluation

**The First National Bank of South Miami
Charter Number: 15000**

**5750 Sunset Drive
South Miami, Florida 33143**

Office of the Comptroller of the Currency

**South Florida Field Office
9800 Northwest 41st Street, Suite 120
Miami, Florida 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, and should not 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.

Table of Contents

OVERALL CRA RATING	1
DEFINITIONS AND COMMON ABBREVIATIONS	2
DESCRIPTION OF INSTITUTION	5
SCOPE OF THE EVALUATION	6
FAIR LENDING REVIEW	7
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	8
LENDING TEST	8
INVESTMENT TEST	13
SERVICE TEST	14
APPENDIX A: SCOPE OF EXAMINATION	A-1
APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS	B-1
APPENDIX C: TABLES OF PERFORMANCE DATA	C-1

Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of **The First National Bank of South Miami** with respect to the Lending, Investment, and Service Tests:

Performance Levels	The First National Bank of South Miami Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending activity that reflects an adequate responsiveness to the credit needs of the bank’s assessment area, given the size of the bank and its business strategy.
- A significant majority of loans originated in the bank’s assessment area.
- An adequate geographic distribution of loans.
- Good distribution of loans by income level of the borrower.
- A good level of community development lending, given the size and capacity of the bank and the length of the evaluation period. Community development lending had a positive impact on the Lending Test.
- An adequate level of qualified investments, given the size and capacity of the bank, length of the evaluation period, and the length of time the investments were on the books.
- Service delivery systems reasonably accessible to geographies, businesses and individuals of different income levels in the bank’s assessment area.
- A good level of community development services, given the size of the bank.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

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.

As of June 30, 2004, FNBSM had total assets of \$315 million. Tier One Capital amounted to \$30 million. Total net loans of \$80 million represented 25% of total assets and consisted of loans to individuals (52%), real estate loans (37%), and commercial loans (10%). Total deposits were \$229 million.

FNBSM has one office located in the City of South Miami, a small-incorporated city in the southeastern portion of Miami-Dade County. During the evaluation period, the bank's primary business focus was small loans to businesses and consumer lending, more specifically indirect automobile loans. The bank began offering home mortgage loans in 1999 and because of its size, limited time in the market, and the highly competitive nature of the mortgage loan business, the bank has yet to establish a significant presence in that market.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of its assessment area. The bank's rating at the last CRA examination dated April 2, 2001 was "**Satisfactory**".

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment and Service Tests. In evaluating the bank's lending performance, we reviewed residential mortgage loans subject to filing under the HMDA, small loans to businesses and community development loans. At the request of the bank, consumer loans (motor vehicle) were also reviewed. Small loans to farms were not evaluated because the bank did not originate/purchase any small farm loans during the evaluation period. Multi-family housing loans were not evaluated because the bank originated/purchased only one such loan during the evaluation period.

With the exception of community development loans, the evaluation period for the Lending Test is January 1, 2001 through December 31, 2002. For community development loans, the Investment Test and the Service Test, the evaluation period is April 2, 2001, the date of the of the last CRA examination, through November 15, 2004.

Our conclusions related to community development loans and qualified investments are based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, responsiveness to community credit needs, and the degree to which these instruments are not routinely provided by private investors.

Data Integrity

This evaluation is based on accurate data. As part of this CRA evaluation a data integrity review was conducted. HMDA reportable, small business loans, and consumer loans were sampled to determine the accuracy of the data. Errors identified in the HMDA and consumer data were not statistically significant. However, significant errors were found in the small business data. The bank corrected the errors and the corrected data was used for our evaluation.

Community development loans, investments, and community development services submitted by bank management were verified to ensure that they met the regulatory definition for community development. Some items submitted by FNBSM for consideration were excluded from this evaluation because they did not meet the definition or purpose of community development.

Selection of Areas for Full-Scope Review

The bank has only one assessment area, which includes all of the Miami-Dade Metropolitan Statistical Area ("MSA"). A full scope review was conducted of that assessment area.

Ratings

The bank's overall rating is based on its performance in the Miami-Dade MSA. Small business loans were weighted much more heavily than home mortgage loans due to the bank's focus on

business lending. During the evaluation period, the bank originated almost four times the number of small business loans as home mortgage loans. Consumer loans were of secondary importance because they were not identified as a primary credit need in the bank's assessment area. Home mortgage loan performance had little impact on the bank's Lending Test rating.

Other

Community credit needs in the assessment area were determined by reviewing recent community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. Specifically for this examination, we conducted a community contact with a redevelopment agency operating in the bank's assessment area.

The most critical identified credit need for the Miami-Dade MSA is financing for the development and construction of affordable single and multi-family housing units for low- and moderate-income residents. Loans for the rehabilitation of existing properties in poor neighborhoods are another identified need, as well as financial literacy programs to combat predatory lending. Also, there is a stated need to finance small businesses that will create jobs accessible to low- and moderate-income individuals as well as a need for access to community development project funding in order to promote the revitalization and stabilization of poor neighborhoods.

The City of South Miami has a specially designated South Miami Community Redevelopment Area ("SMCRA") established under the Florida Community Redevelopment Act. It is located in a middle-income (1990 Census designation) geography that is adjacent to the upper-income geography where the bank is located. The SMCRA plan is to revitalize the area by helping to create affordable housing, community services, business opportunities, and jobs. The credit needs of the SMCRA were taken into consideration in the above discussion of assessment area credit needs.

Refer to the profile in Appendix B for additional information.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the Miami-Dade MSA is good.

Lending Activity

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity.

Lending activity reflects adequate responsiveness to the credit needs in FNBSM's assessment area, considering the bank's size, business strategy, and the highly competitive nature of the market in which it operates.

The bank's lending activity in the Miami-Dade MSA is adequate when deposit market share is compared with loan market share. FDIC data as of June 30, 2002 shows that FNBSM had a .38% deposit market share in the Miami-Dade MSA, ranking 34th among 75 financial institutions operating in the MSA. In 2002, the bank's market share of small loans to businesses in the Miami-Dade MSA was .19%, which ranked 30th among 143 lenders reporting small business loans in the MSA. However, the top six small business lenders in the MSA, whose combined market share is 73%, are national credit card lenders such as Capital One and American Express Centurion, which do not take deposits in the assessment area.

Based on 2002 HMDA data, FNBSM is ranked 219th in overall HMDA lending with a market share of .03%. Reflecting the highly competitive nature of the mortgage loan market in the Miami-Dade MSA, in 2002, there were 707 lenders reporting HMDA loans in the MSA. The top ten lenders had a combined market share of 44%.

In addition, the bank originated 20 community development loans totaling \$2.6 million during the community development loan evaluation period (April 2, 2001 through November 15, 2004).

Distribution of Loans by Income Level of the Geography

Overall, the geographic distribution of loans in the assessment area is considered adequate, given performance context. The geographic distribution of HMDA loans is poor. The geographic distribution of small loans to businesses is adequate. The geographic distribution of consumer loans is adequate. The overall conclusion is based primarily on the geographic distribution of small business loans and consumer loans. The volume of HMDA loans was not significant for analytical purposes.

Contextual information was considered when assessing the geographic distribution of the bank's loans. The bank has a very limited opportunity to lend in low-income geographies.

There is only one low-income geography near to the bank's office. That geography, which is adjacent to the geography where the bank is located, consists entirely of the University of Miami, where there is no owner-occupied housing. The other low-income geographies in the assessment area are not near to the bank. In addition, these low-income geographies have a very high level (47% based on the 2000 Census) of households below the poverty level, limiting the opportunity for lending.

Location and poverty rates also contribute to lower performance in moderate-income geographies. FNBSM's office is not near enough to the moderate-income geographies in the assessment area to adequately serve them. Also, the level of households below the poverty level in moderate-income geographies is 27% (based on the 2000 Census), again limiting the opportunity for lending. Refer to the profile in Appendix B for additional information.

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Overall, the geographic distribution of HMDA loans is poor, based on home improvement loan performance. Because of the very low level of home purchase (10 loans) and home refinance (20 loans) loans, a meaningful distribution analysis could not be performed and will not be discussed here.

The overall geographic distribution of home improvement loans is considered poor, given performance context as described above. The bank did not originate/purchase any home improvement loans in low-income geographies. In moderate-income geographies, the percent of the bank's home improvement loans is significantly lower than the percent of owner-occupied housing units in those geographies. Because of the small number of home improvement loans analyzed (43), market share comparisons are not meaningful.

Small Loans to Businesses

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The overall geographic distribution of small loans to businesses is adequate, given the performance context discussed above. The bank's percent of small loans to businesses in low-income geographies exceeds the percent of businesses located in such geographies. In moderate-income geographies, the percent of the bank's small loans to businesses is lower than the percent of businesses located in moderate-income geographies. The bank's market share of loans in low-income geographies exceeds its overall market share. In moderate-income geographies, the bank's market share is lower than its overall market share.

Small Loans to Farms

The bank did not originate/purchase any loans to small farms during the evaluation period. Therefore, Table 7 has been removed from the tables in Appendix C.

Consumer Loans

Refer to Table 13 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

The overall geographic distribution of consumer loans is adequate, given performance context as discussed above. In low-income geographies, the percent of the bank's loans is lower than the percent of households in these geographies. The percent of consumer loans in moderate-income geographies is somewhat lower than the percent of households in moderate-income geographies. There is no market share data available for consumer loans.

Lending Gap Analysis

No unexplained, conspicuous gaps in lending were identified. We reviewed lending reports detailing the volume of HMDA and small loans to businesses in low- and moderate-income geographies.

Inside/Outside Ratio

A significant majority of the bank's loan originations is within its defined assessment area. Overall, 89% by number and 86% by dollar of FNBSM's loan originations are within its assessment area. By loan products, 86% of the number of HMDA loans, 95% of the number of small loans to businesses, and 89% of the number of consumer loans are inside the assessment area. By dollar volume, the percentages are 75%, 88%, and 88%, respectively.

Distribution of Loans by Income Level of the Borrower

The overall distribution of loans by income in the assessment area is good, given performance context. The distribution of HMDA home mortgage loans by borrower income is adequate, given performance context. The distribution of small loans to businesses by revenue size is good. The borrower distribution of consumer loans is good. The overall conclusion is based primarily on the geographic distribution of small business loans and consumer loans. The volume of HMDA loans was not significant for analytical purposes.

Contextual information was also considered in evaluating the distribution of loans by income level of the borrower. According to the 2000 Census, 18% of households in the assessment area live below the poverty level. High housing costs in relation to income levels, as discussed in the profile section in Appendix B, make home ownership very difficult for both low- and moderate-income individuals and families. These factors combine to limit opportunities to lend to low- and moderate-income borrowers.

Refer to the profile in Appendix B for additional information.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of HMDA loans by borrower income level is considered adequate, based on home improvement loan performance and given performance context. Because of the very low level of home purchase (10 loans) and home refinance (20 loans) loans, a meaningful analysis could not be performed and will not be discussed here.

The borrower distribution of home improvement loans is adequate, given performance context. The bank's percent of home improvement loans to low-income borrowers is lower than the percent of low-income borrowers residing in the assessment area. The bank's percent of home improvement loans to moderate-income borrowers is somewhat lower than the percent of moderate-income borrowers residing in the assessment area. Because of the low number of home improvement loans being analyzed (43), market share comparison is not meaningful and is not discussed here.

Small Loans to Businesses

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The distribution of small loans to businesses is excellent. The bank's percentage of small loans to small businesses (businesses with annual revenues \$1 million or less) exceeds the percentage of small businesses in the assessment area. The bank's market share of small loans to small businesses exceeds its overall market share of small loans to all businesses. In addition, the majority of the bank's loans to small businesses is for loans of \$100,000 or less.

Small Loans to Farms

The bank did not originate/purchase any loans to small farms during the evaluation period. Therefore, Table 12 in the Appendix C has been removed.

Consumer Loans

Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The borrower distribution of consumer loans is good. The percent of the bank's consumer loans to low-income borrowers is near to the percent of low-income households in the assessment area. The percent of consumer loans to moderate-income borrowers significantly exceeds the percent of moderate-income households in the assessment area. There is no market share data for consumer loans.

Community Development Lending

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

The bank's level of community development lending is good, given the capacity and size of the bank and the length of the evaluation period. Community development lending performance had a positive effect on the overall lending test. Community development loans were responsive to assessment area needs, particularly housing affordable to low- and moderate-

income people. Approximately 76% of community development loan dollars were directed to entities that provide affordable owner-occupied and rental housing in the bank's assessment area. According to community contacts, affordable housing is a primary need in the Miami-Dade MSA. There are many opportunities for community development in the bank's assessment area. Refer to the profile in Appendix B for additional information.

During the evaluation period, FNBSM originated 20 community development loans totaling \$2.6 million. The majority of community development lending (76% by dollar) supports affordable housing and is responsible for 13 units of affordable owner-occupied housing and 29 units of affordable rental housing in the banks' assessment area. The loans are to both non-profit and for-profit organizations that specialize in making housing available to low- and moderate-income individuals and families.

Remaining community development loans were made to organizations that provide community development services such as child care, counseling, and job training to low- and moderate-income individuals and families in the bank's assessment area.

Product Innovation and Flexibility

Product innovation and flexibility had a neutral impact on the Lending Test conclusion. The bank did not use innovative or flexible lending products during the evaluation period.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Low Satisfactory", given the size and capacity of the bank, the length of the evaluation period, and the length of time the investments were on the books. Based on full-scope reviews, the bank's performance in the Miami-Dade MSA is adequate.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Qualified investments (15) totaled \$1.139 million at this evaluation and they had a positive impact on the assessment area, addressing the critical need of affordable housing identified by community contacts. Investments made during the evaluation period are not considered innovative or complex. Private investors routinely provide these types of investments. There are many opportunities for investments in the Miami-Dade assessment area. Refer to the profile in Appendix B for additional information.

Current Period Investments: During the evaluation period, the bank originated nine community development investments totaling \$931,460, representing 82% of total qualified investment dollars at this examination. One investment, purchased July 15, 2004 and representing 98% of current period investment dollars, was in a mortgage-backed security, for which the collateral is 11 mortgage loans to low- and moderate-income borrowers in the bank's assessment area. Mortgage-backed securities are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded. The remaining investments include two capital contributions totaling \$10 thousand to a South Florida community development corporation that finances the construction of affordable housing in the bank's assessment area and six donations totaling \$11 thousand to non-profit organizations whose primary mission is to provide community services to low- and moderate-income individuals and families in the Miami-Dade MSA.

Prior Period Investments: Prior to this evaluation period, six investments with a current book value of \$208 thousand were made in the bank's assessment area. These investments, which consist entirely of mortgage-backed securities, remain outstanding. The investments continue to help support affordable housing needs in the bank's assessment area. Prior period investments represent 18% of total investments.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Low Satisfactory. Based on a full-scope review, the bank's performance in the Miami-Dade MSA is adequate.

Retail Banking Services

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment areas. The bank offers banking services through one location situated in an upper-income geography, which provides reasonable access to residents in the vicinity of South Miami. The bank's location is within close proximity (less than 1 mile) to the South Miami Community Redevelopment Area ("SMCRA") and the low-income census tract that includes the University of Miami. The low- and moderate-income residents located in the SMCRA have reasonable access to the bank and its three on-site ATMs. Another FNBSM ATM is located in a hospital in the same upper-income geography where the bank is located.

Alternatively, in addition to the branch office and ATM's, the bank offers Tel-A-Banking and Internet Banking. These services allow the customer to obtain account information and conduct limited types of transactions. Due to lack of information on the usage of such alternative delivery systems, we were unable to determine the effectiveness of these systems in providing services to low- and moderate-income geographies and individuals.

The bank's record of opening and closing branches had a neutral impact on the service test. The bank did not open or close any branches during the evaluation period.

FNBSM offers a full range of personal and business banking products and services in its assessment area, including free checking for senior citizens. The bank's services, including business hours, do not vary in a way that inconveniences low- and moderate-income geographies or individuals. In addition to the normal banking hours of 9 am to 4pm, the branch offers extended hours on Friday evenings and Saturdays. Branch hours are supplemented by extended drive-in hours on weekdays.

Community Development Services

Considering the level of participation and the number of organizations benefiting, the bank's performance providing community development services is good. Given the size and capacity of the bank, officers provide a good level of community development services, sometimes serving in a leadership position. During the evaluation period, five officers provided technical assistance to six qualified community development organizations. These officers use their banking expertise to assist organizations that meet the definition of community development.

The community development services provided are not innovative, but are responsive to assessment area needs.

During the evaluation period, the bank's President has held various leadership positions, including Chairman and Finance Committee Director, of a non-profit organization that supplies community services targeted to low- and moderate-income individuals in the bank's assessment area. The organization provides housing, job training, and job placement services to low- and moderate-income disabled individuals. Also, the President served as a director of a faith-based community service organization that provides job training and placement to low- and moderate-income individuals living in the SMCRA. The bank further assists the SMCRA in that a senior officer is a member of the Advisory Board. The mission of the SMCRA is to create affordable housing and economic development that will help revitalize and stabilize the designated area in South Miami.

A vice president and lending officer serves on the Development Committee of Habitat for Humanity of Greater Miami. Habitat for Humanity is a non-profit organization dedicated to providing owner-occupied affordable housing to low- and moderate-income families. Habitat for Humanity is active in constructing affordable housing in the city of South Miami.

In addition, a bank officer served on the loan committee of a community development financial institution ("CDFI") that fosters self-employment through educational programs and micro-business loans. The CDFI is associated with the Small Business Administration ("SBA") and focuses its efforts towards low- and moderate-income individuals. And, another bank officer served as the director of the finance committee of a non-profit organization whose primary mission is to provide affordable housing and community services to low- and moderate-income individuals and families, particularly those who are homeless.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): (1/1/2001 to 12/31/2002) Investment and Service Tests and CD Loans: (4/2/2001 to 11/15/2004)	
Financial Institution	Products Reviewed	
First National Bank of South Miami, South Miami, FL	Residential Mortgage Loans Small Loans to Businesses Consumer Loans Community Development Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Miami-Dade MSA #5000	Full-Scope	NA

Appendix B: Market Profiles for Full-Scope Areas

Table of Contents

Market Profiles for Areas Receiving Full-Scope Reviews

Miami-Dade MSA.....	B-2
---------------------	-----

Miami-Dade MSA

Demographic Information for Full Scope Area: Miami-Dade MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	267	13.48	21.35	35.96	28.09	1.12
Population by Geography	1,937,094	9.18	19.43	39.47	31.91	0.01
Owner-Occupied Housing by Geography	376,006	3.26	12.86	40.83	43.05	0.00
Business by Geography	200,697	8.82	17.32	31.73	42.14	0.00
Farms by Geography	2,196	3.51	11.79	36.29	48.41	0.00
Family Distribution by Income Level	485,213	23.32	16.40	19.19	41.09	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	192,734	15.03	27.92	40.30	16.76	0.00
Median Family Income		31,113	Median Housing Value		100,570	
HUD Adjusted Median Family Income for 2002		45,600	Unemployment Rate		7%	
Households Below Poverty Level		17.62%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census, 2002 HUD updated MFI, and 2002 unemployment

The bank's assessment area consists of all of the Miami-Dade MSA, which is equivalent to the boundaries of Miami-Dade County. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The table above provides demographic information about the assessment area.

The Miami-Dade MSA, Florida's largest metropolitan area, is a densely populated urban center. According to the 1990 Census, the total population was approximately 2 million people, residing in a nearly 2 thousand square mile area. The 2000 Census shows the MSA population to be 2.3 million, a 16.3 percent increase. The increase is a result of an influx of immigrants from Latin America and the Caribbean, as well as relocation from northern cities in the United States.

The City of Miami, located entirely in the Miami-Dade MSA, represents approximately 20 percent of the MSA population and 28 percent of the MSA census tracts. However, a disproportionately large portion of the City is categorized as low- and moderate-income with 62 percent of the MSA's low- and moderate-income census tracts being located in the City.

Housing costs in the Miami-Dade MSA are high. For 2002, the National Association of Realtors estimated the median sales price of an existing single-family home in the Miami Metropolitan area to be \$189,800. When compared with a HUD Adjusted Median Family Income of \$45,600 for 2002 it is clear that the unsubsidized purchase of an average single-family residence would be beyond the financial means of many individuals classified as low- and moderate-income.

The Miami-Dade MSA's economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism and banking. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with

a distinct advantage as a global trading center. There are many service businesses in the area and in the extreme southern portion of the MSA agriculture is a major industry (e.g. tomatoes, citrus, and other vegetables).

Competition within the bank's assessment area is intense. FDIC data as of June 30, 2002 showed 433 banking offices of national and regional banks as well as community banks operating in the MSA.

There are a wide range of opportunities for community development lending, investments, and services throughout the Miami-Dade MSA. However, larger institutions in the MSA are quite competitive for the qualified investments 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. And, there are several areas designated under a Florida statute as Community Redevelopment Areas, including the South Miami Community Redevelopment Area. Types of community development investments available in the MSA include, but are not limited to, bond and tax credit purchases for low- and moderate-income housing, participation in numerous local 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.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE											Geography: MIAMI-DADE MSA					Evaluation Period: January 1, 2001 TO December 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*									
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp					
Full Review:																				
Miami-Dade MSA	20	100.0	3.26	0.00	12.86	5.00	40.83	5.00	43.05	90.00	0.01	0.00	0.00	0.00	0.02					

* Based on 2002 Peer Mortgage Data: Southeast Region.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

