



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

March 15, 1999

Community Reinvestment Act Performance Evaluation

First National Bank of South Miami
Charter Number: 15000

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NOTE: 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of South Miami (FNBSM)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 15, 1999. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable 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.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

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 statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

Limited-Scope 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, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States 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 Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders’ equity, perpetual preferred shareholders’ equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution’s CRA Rating: This institution is rated “Needs to Improve.”

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

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

- C Poor responsiveness in meeting assessment area credit needs. The bank’s overall level of lending shows that the bank is not reinvesting a proportionate amount of deposits gathered from the community back into the community in the form of loans. The bank’s loan-to-deposit ratio over the previous eight quarters averaged 18% compared to 67% for seven peer banks.
- C A poor level of qualified CD investments given the bank’s size, resources and numerous opportunities within its assessment area. In a two year period, the bank made only \$14,595 in qualified investments.
- C A poor level of CD services.

Description of Institution

First National Bank of South Miami (FNBSM) is the only community commercial bank headquartered in the City of South Miami, Florida. The bank is owned by a one-bank holding company, First Miami Bancorp Inc. The holding company is in turn majority owned by the Wirtz Family of Chicago, Illinois. The bank has one statutory subsidiary, First National South Miami Safe Deposit Company, which operates out of the bank's main office. The bank also has one of the few full service trust facilities in the area. The bank has operated in South Miami since 1952.

The bank operates out of one office with a drive in facility and three onsite automated teller machines (ATMs). The bank's lone office is located in an upper income geography. One branch did exist across the street from the bank but was temporarily closed over 2 years ago due to reconstruction of the center in which it was located. Reopening of the branch is scheduled for late 1999. The bank has an offsite ATM at a nearby hospital which is located in the same geography as the bank's office.

Until a few years ago, FNBSM was almost entirely dependent on investment income and at year-end 1996 had an 11.5% loan to deposit (LTD) ratio. The bank's LTD ratio, while still significantly below the 62% LTD for peer banks, had doubled to 23% at year end 1998. The lending department has seen significant changes in infrastructure and personnel, including: a new senior vice president of lending; seven new loan staff members; the implementation of an automated loan documentation system; the installation of a bankwide PC network; the elimination of a manual tickler system; and the introduction of a new indirect lending product. Bank management accelerated the rate of change at the end of 1996 when FNBSM received an unfavorable CRA rating. Most of the loan growth occurred during 1998.

As of December 31, 1998, the bank reported total assets of \$286 million. The major loan categories of the bank's \$46 million loan portfolio were as follows: 41% to individuals; 25% for commercial real estate; 20% for commercial and industrial; and 12% for 1-4 family residential.

The percent of the bank's total assets represented by net loans was 16% compared to 51% for seven (7) similar size peer banks in its assessment area. Tier One Capital was 11.66% at year end 1998 compared to 8.83% for peer banks.

The following quote from the bank's policy on available credit summarizes their approach to lending:

The First National Bank of South Miami recognizes that a bank's primary concern is liquidity, and in accordance with Bank Policy, must limit itself to loans of a reasonable maturity. For this reason, the bank is limited in the types of loan it offers and it recognizes loan products offered by other banking institutions within the assessment area to meet credit needs requiring loans of long term maturities.

Based on its policy, the bank lists certain types of consumer and commercial loans it prefers to extend. Consumer loans listed include car and boat loans with maturities up to 7 years; secured and unsecured loans up to 3 years; home equity loans and lines of credit with maturities up to 15 years; and home improvement loans with maturities up to 15 years. Home purchase loans in any form (i.e. variable rate or government insured) are not listed as a type of credit the bank prefers to make.

On an exception basis, the bank will make home purchase loans with maturities longer than 15 years. Examples of such exceptions are the five loans for \$50,000 each originated during 1998 to five low income families. These loans were made under a Habitat for Humanity lending arrangement. Each loan has a below market rate of 4% and a term of 30 years. The individual borrowers are responsible for repaying the bank. Habitat's bank guarantee provides additional protection.

Commercial loans offered include small business loans with maturities up to 5 years, equipment loans up to 3 years (up to 10 years with Small Business Administration (SBA) guaranty); working capital loans up to 3 years; commercial real estate loans up to 10 years (up to 25 years with a SBA guaranty). Non-credit products include traditional deposit accounts, ATM services, safe deposit box services, and telephone banking.

According to the latest available deposit data from the Federal Deposit Insurance Corporation (FDIC), there were 432 insured commercial banks operating in the bank's assessment area as of June 1998 with combined deposits of \$29 billion. Of this total, FNBSM's deposits totaled \$174 million, or 6/10ths of 1%. Because the bank's lone office is located in the City of South Miami, the majority of the bank's lending and deposit taking activities are concentrated within this immediate area.

There are no legal, financial, or other impediments which would hamper the bank's ability to help meet the credit needs of its community. The bank's rating at its preceding CRA examination, dated December 27, 1996 was "*Needs to Improve Record of Meeting Community Credit Needs.*" During 1997, the bank began an indirect auto lending program throughout its assessment area to improve its CRA record. Indirect auto loans are offered through three dealerships in MSA 5000.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This examination covers FNBSM's performance from January 1, 1997 to December 31, 1998. For the lending test, we reviewed small business loans, residential mortgage loans subject to filing under HMDA, and community development loans. At the bank's request, consumer loans were also reviewed. Small farm loans were not reviewed because they were not material in number or dollar amount.

Data Integrity

The accuracy of 1998 data reported for HMDA, small business, and consumer loans was verified. Small business and HMDA loans were accurately reported. However, the consumer loan sample contained a 30% error rate. Before consumer loans were evaluated, bank management reviewed and corrected all consumer loan data for 1998 and 1997. Based on the accuracy of 1998 data for small business loans, 1997 small business data was presumed accurate and was not tested. The bank made no HMDA loans during 1997.

Selection of Areas for Full-Scope Review

The Miami MSA received a full-scope review and ratings are based on results of this analysis. There were no limited scope reviews. Refer to the table in Appendix A for more detailed information.

Ratings

Home mortgage, small business and community development loans were the primary areas of focus in assessing the bank's lending performance. Consumer loans were of secondary importance because they were not identified as a primary credit need. Small farm loans were not material relative to total lending and were not evaluated. See Tables 6 and 11 in Appendix C for small farm lending.

Credit and Community Development Needs of the Assessment Area

Community credit needs of the assessment area were determined by contacting a South Miami city official in charge of CRA activities and by reviewing recent community contacts conducted by federal bank regulators in connection with previous CRA examinations. We also reviewed U.S. Department of Housing and Urban Development (HUD) Consolidated Strategies and Plans for Dade County. The HUD Consolidated Strategies and Plans are comprehensive documents that identify community credit needs and community development opportunities.

The City of South Miami has a specially designated South Miami Community Redevelopment Area (SMCRA) under the Florida Community Redevelopment Act. According to 1990 census data, this 189-acre zone had a 38% poverty rate. The SMCRA is located within middle income census tract #76.03, which is adjacent to census tract #76.04, the upper income census tract in which the bank's lone office is located. The SMCRA plan is a program for assisting low-to-moderate income citizens and presents an opportunity for local financial institutions to play a significant role in the rehabilitation of this area. Identified Redevelopment Zone credit needs are as follows: major rehabilitation for residential and commercial properties, soft costs to start businesses, mortgage loans and guarantee programs to purchase homes.

The primary credit needs identified in local HUD Consolidated Plans and through community contacts were financing for affordable housing (i.e. single family rental, multi-family rental, and home ownership), funds to repair and rehabilitate existing homes, and down payment assistance for low income families seeking to own a home.

There are numerous community development opportunities throughout Dade County in which financial institutions can participate. These opportunities include CD loans, investments, and services. Community development organizations (such as Housing Authorities, Community Development Corporations, and lending consortiums) proliferate. Other community development opportunities include tax-exempt bonds for low and moderate income housing and specialized small business investment corporations which need both equity investments and financial loan partners. Also available were numerous nonprofit organizations whose primary missions are to revitalize low and moderate income geographies by making small business and affordable housing loans.

Fair Lending Review

Because the bank originated only 16 residential housing loans during this evaluation period, a sample of direct automobile loans were selected and reviewed for compliance with antidiscrimination laws.

Gender was the prohibited basis upon which the review was based. A comparison was made between denied female applicants and approved male applicants that appeared to be similarly qualified from a

credit standpoint. No violations of the substantive provisions of the anti-discrimination laws or regulations were identified.

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 **Needs to Improve**. Based on the full-scope review, the bank's performance in the Miami, Florida MSA was poor.

Lending Activity

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

Loans originated during the evaluation period reflected poor responsiveness in meeting identified credit needs within the bank's assessment area (AA). As noted in the Credit and Community Development Needs of the Assessment Area section of this report, affordable housing loans were identified as a principal credit need of the AA. FNBSM reported no HMDA loans during 1997 and only 16 HMDA loans during 1998. Given that FNBSM's only office is located in the City of South Miami, it would be unreasonable to expect the bank to originate HMDA loans throughout Dade County which has a population of 2 million living in more than 20 separately incorporated cities and covering approximately 2,000 square miles.

There was ample opportunity, however, for FNBSM to make HMDA loans within the census tract (76.04) in which the bank's only office is located and other nearby census tracts. For example, during 1997 74 financial institutions originated 168 HMDA loans in census tract 76.04, most of which - 103 - were to purchase homes. By income level, other banks made 11 loans to moderate income borrowers, 25 to middle income borrowers, and 117 to upper income borrowers. No financial institution made HMDA loans to low income borrowers in census tract 76.04 during 1997. Surrounding census tracts have similar opportunities. Because bank management emphasizes liquidity, long term loans to individuals (past 15 years maturity) are not generally offered. The bank's listing of available loans does not include home purchase mortgages. The bank's policy states that it depends on other financial institutions within its assessment area to meet the need for loans with longer maturities.

The bank's level of small business lending is adequate given its deposit market share. FDIC data as of June 1998 shows that FNBSM had a 6/10ths of 1% deposit market share for Dade County, the

bank's assessment area. The bank's overall market share of small business loans in Dade County, at 5/10ths of 1% approximates the bank's deposit market share.

In an attempt to improve its CRA performance after the December 1996 exam and in keeping with its short term lending philosophy, bank management took steps to increase consumer lending. An indirect lending function, with three auto dealers, was established to achieve this purpose. The result was a consumer loan portfolio that grew to \$26 million at year end 1998 from \$9 million at year end 1996. However, as explained under Ratings, consumer loans are of secondary importance and are not weighted as heavily as home mortgage and small business loans.

The bank's overall level of lending shows that the bank is not reinvesting a proportionate amount of deposits gathered from the community back into the community in the form of loans. The bank's average loan to deposit ratio over the past two years has averaged 18% versus 67% for seven peer banks with total assets between \$200 million and \$500 million, located within Dade County. As a percent of total assets, FNBSM's net loans represented an average of 12% of total assets compared to an average of 52% for the seven peer banks.

A substantial majority (98%) of the bank's primary loan products for CRA purposes were made within the bank's assessment area. All 16 (100%) HMDA loans and all 4 (100%) small farm loans originated within the bank's AA. The bank made 286 small business loans, 97% of which were within the bank's assessment area. The two community development loans were part of the HMDA loan total under the multifamily loan category.

Distribution of Loans by Income Level of the Geography

The geographic distribution of primary loan products for CRA purposes (HMDA, small business) was adequate. For purposes of FNBSM's CRA performance, small business lending carried the most weight because there were considerably more small business loans (278) than HMDA loans (16). The geographic distribution of small business loans was adequate. The geographic distribution of HMDA loans was adequate, but their number was not sufficient to mitigate the bank's poor performance in small business lending. The geographic distribution of small farm loans was not analyzed. There were no conspicuous gaps in the bank's lending patterns throughout its assessment area.

At the bank's request, consumer loans were reviewed and analyzed. There were six times more consumer loans (1,672) than small business loans. Consumer loans were not identified as a primary credit need in the community. However, bank management considered consumer loans a primary credit product of the bank, which has taken specific steps to increase the level of consumer lending since the last CRA examination.

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. Tables 2, 3 and 4 contained 12 of 16 HMDA loans. The four multifamily loans were not included in tables 2, 3 and 4 but were included in the overall analysis of geographic distribution. Multifamily loans that qualify as community development loans are discussed later under Community Development Lending.

The bank's small number of HMDA loans made their geographic analysis less meaningful. Given the demographics of the bank's assessment area, the geographic distribution of HMDA loans originated during this evaluation period was adequate. The percent of HMDA loans originated in low and moderate income tracts exceeded the percent of owner occupied housing units in those respective tracts. One (or 6%) of the 16 HMDA loans was made in low income tracts compared to 3% of owner occupied units being in low income tracts. This one loan was for multifamily units and is not reflected in tables 2, 3, or 4. No home purchase, home improvement, or refinanced loans were made in low income tracts. One home purchase loan (or 17% of all home purchase loans) was made in moderate income tracts compared to 13% of owner occupied units being in moderate income tracts. None of the four home improvement loans were made in moderate income tracts. One of the two refinanced loans was in a moderate income tract.

Small Business Loans

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

Overall, the bank's distribution of small business loans (<\$1 million) to businesses originated by the bank in low income geographies was good. The bank's 10% of small business loans originated in low income tracts was substantially similar to the 11% of businesses located in low income tracts. There are no low income tracts located in the city of South Miami. Therefore, the bank had to go outside its community to find low income tracts in which to make loans. The distribution of small business loans in moderate income tracts was reasonable given that no moderate income tracts are located near the bank's lone office. Only 4% of small business loans were made in moderate income geographies throughout Dade County compared to 20% of small businesses in Dade County being in moderate income geographies. However, the distribution of small business loans in moderate income tracts is not considered a negative because there are no moderate income geographies located near the bank's one office. The bank had to go outside its immediate community of South Miami to make small business loans in moderate income tracts.

Small Farm Loans

Refer to Table 6 in Appendix C for the facts and data regarding the distribution of the bank's small farm loan originations.

As stated under Ratings, small farm loan originations were not material in number or dollar amount and were not analyzed.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations.

The geographic distribution of consumer loans was reasonable given that no low or moderate income tracts are located near the bank's one office in South Miami. The bank had to go outside its immediate community of South Miami to find low and moderate income tracts and to make consumer loans in those tracts. The percent of consumer loans made in low and moderate income geographies was less than the population in low and moderate income geographies. Of the 1,672 consumer loans made in the bank's AA during this evaluation period, 2% and 11%, were made in low and moderate income geographies, respectively. The percent of the population living in low and moderate income geographies was 9% and 19%, respectively.

Distribution of Loans by Income Level of the Borrower

The overall distribution of loans by borrower income level was adequate. The distribution of HMDA, small business and consumer loans to LMI borrowers was adequate when compared to the demographics of the bank's assessment area. As with the analysis of distribution by income level of geography, small business loans carried the most weight.

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations. Tables 7, 8 and 9 include 12 of 16 HMDA loans. The four multifamily loans were not included in the tables and were not included in the analysis of borrower income because income information on individuals residing in multifamily rental units was not available.

The distribution of HMDA loans by borrower income level was adequate. But, because of the small number of HMDA loans, the analysis of their distribution by borrower income level was not significant

in evaluating overall performance in this area. The bank originated only six home purchase loans in a two year period. Five of these six loans were to low income individuals under a line of credit to Habitat for Humanities. No home purchase loans were made to moderate income individuals. Two of the four home improvement loans were made to LMI borrowers and neither of the two loans to refinance home mortgages were to LMI borrowers.

Small Business Loans

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

The bank's performance in making loans to businesses with annual revenues of \$1 million or less was adequate. The bank made 53% of its small business loans to businesses with annual revenues of \$1 million or less. The bank's percent was lower than the 74% of businesses in its AA that had annual revenues of \$1 million or less. FNBSM's performance was good relative to other bank's in its AA (with 45% of their loans to businesses with annual revenues of less than \$1 million). Although the bank was better than the market, it was still significantly below the demographic comparator.

Small Farm Loans

Refer to Table 11 in the Appendix C for the facts and data regarding the borrower distribution of the bank's small farm loan originations.

Small farm loans were not material in number or dollar amount and were not analyzed.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations.

The distribution of consumer loans by borrower income level was adequate. The 13% of consumer loans to low income borrowers was less than the 20% of low income households situated throughout the banks AA. The 28% of consumer loans made to moderate income borrowers approximated the 30% of moderate income households within the bank's AA.

Community Development Lending

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

Given its size and resources, the bank had an adequate level of community development lending. During this evaluation period, the bank made four community development loans totaling \$432,500. Three of the loans, totaling \$382,500 facilitated housing for low and moderate income people. One loan (for \$175,000) was to refinance four duplexes rented under “Section 8” guidelines. One loan (for \$157,500) financed the acquisition of a 16 unit apartment building to house the low income clients of a nonprofit organization providing assistance to the mentally impaired.

FNBSM has committed to provide financial assistance in the City of South Miami’s Community Redevelopment Area (SMCRA). As mentioned earlier, FNBSM has made six Habitat for Humanity loans within the SMCRA. FNBSM also has an outstanding, legally binding commitment to provide \$1,800,000 for the construction and permanent financing on a multipurpose center to be built in the center of SMCRA. FNBSM won the bid on this loan in a competition with four other financial institutions. The eleven-year loan will be priced below the Wall Street Journal Prime Rate.

Product Innovation and Flexibility

The bank offers no innovative or flexible lending programs for HMDA, small business or small farm lending.

Conclusions for Areas Receiving Limited-Scope Reviews

There were no limited scope reviews for the lending test.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank’s performance under the Investment Test is rated **Needs to Improve**. Based on full scope review, the bank’s performance in the Miami, Florida MSA was poor. Given its size and resources and numerous opportunities throughout its assessment area, the bank’s level of community development investments was very low. During this two year evaluation period, FNBSM made only \$14,595 in qualified investments. These investments consisted of contributions to 12 community development organizations. Refer to page 10 for specific CD opportunities available within the bank’s assessment area.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank’s level of qualified investments.

Conclusions for Area Receiving Limited-Scope Reviews

There were no limited scope reviews for the investment test.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated **Needs to Improve**. Based on the full scope review, the bank's performance in the Miami, Florida MSA is adequate given the bank has one office located in an upper income tract. There are no low or moderate income tracts in the city of South Miami.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

The bank's delivery systems provide reasonable access to different geographies and persons of different income levels within its surrounding community. The bank operates out of one office in an upper income geography and that one office provides ready access to residents in its vicinity. The bank has four automated teller machines (ATM), three of which are located onsite. The fourth ATM is located in a hospital in the same upper income census tract that borders the Redevelopment Zone located in a middle income tract. Besides the ATMs, there are no other alternative delivery systems for effectively delivering retail services.

The bank did not open or close any branches during this two year assessment period.

Bank services are not tailored to meet credit needs of families within the bank's surrounding community. Based on its lack of HMDA lending to low and moderate income people, the bank has a low level of lending to low and moderate income borrowers.

Community Development Services

The bank has provided a poor level of community development services. Services included providing financial expertise to two community service organizations through board membership. The two organizations are shown below:

p*Carrfour Corporation* - This nonprofit organization provides housing for the homeless within Dade County. A lending/investment officer of the bank serves on the finance committee of this organization. As a member of the committee, she is involved in fund-raising activities and underwriting loans.

p*Fellowship House* - This organization provides services for low income mentally impaired individuals. The bank's president sits on the board of this organization. As a member of the board, he is involved in fund-raising activities for the organization.

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 nonmetropolitan 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: (January 1 1997 to December 31, 1998) Investment Test: (January 1, 1997 to December 31, 1998) Service Test: (January 1, 1997 to December 31, 1998)	
Financial Institution	Products Reviewed	
First National Bank of South Miami South Miami, Florida	HMDA loans Small Business Loans Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Miami MSA #5000	Full-Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Miami MSA (01)

(01) Miami MSA

Demographic Information for Full-Scope Area: Miami MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	267	14%	21%	36%	28%	1%
Population by Geography	1,937,094	9%	19%	40%	32%	nil%
Owner-Occupied Housing by Geography	376,006	3%	13%	41%	43%	0%
Businesses by Geography	89,530	11%	20%	30%	39%	0%
Farms by Geography	1,285	4%	14%	35%	47%	0%
Family Distribution by Income Level	485,213	23%	16%	19%	42%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	485,213	8%	19%	40%	33%	0%
Median Family Income	= \$33,980	Median Housing Value		= \$100,570		
HUD Adjusted Median Family Income for 1998	= \$39,200					
Households Below the Poverty Level	= 17.6%					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

Description of Assessment Area

The bank has designated all of the Miami, Florida MSA (Dade County) as its assessment area. Dade County's economy is diverse. Major industries include real estate development, trade business with Latin America, tourism, and banking. The Dade County airports and seaports are among the fastest growing in the United States. There are many service businesses in the area. In the extreme southern section of Dade County, agriculture is a major industry (e.g. tomatoes, citrus, and other vegetables).

The area has a large retiree population and a growing number of immigrants from Latin America and the Caribbean. Many residents of the area have moved here from northern cities of the United States and Canada, and others maintain second homes in the area. The coastal communities of the area are characterized by luxury residences and wealthy individuals.

The Miami MSA is Florida's largest metropolitan area and most populous with approximately 2 million people in a nearly 2,000 square mile area. It is also the third poorest of large metropolitan areas in the United States. According to a Metro-Dade study, 40% of the Greater Miami community either: lives in poverty; is under employed; is less educated than the national average; or is classified medically indigent. Income levels and poverty rates experienced in Dade County have profound implications for meeting the housing needs of a large portion of the population.

Competition within the bank's assessment area is intense. FDIC data as of June 1998 showed 543 financial institutions in Dade County (432 commercial banks and 111 savings banks). In terms of deposits, FNBSM ranked number 31st in Dade County in June 1998.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. 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; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated 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 rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (<\$1 million) to businesses originated 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 rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (<\$500,000) to farms originated 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 rank and market share information based on the most recent aggregate market data available.

Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations - See Table 7.

Table 9. Borrower Distribution of HMDA Refinance Loan Originations - See Table 7.

Table 10. Borrower Distribution of Small Business Loan Originations - Compares the percentage distribution of the number of small loans (<\$1 million) originated 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. The table also presents the percentage distribution of the number of loans originated 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 11. Borrower Distribution of Small Farm Loan Originations - Compares the percentage distribution of the number of small loans (<\$500 thousand) originated 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. The table also presents the percentage distribution of the number of loans originated 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 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.

Table 13. Distribution of Branch and ATM Delivery System - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations - 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 the population 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 MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME													State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998	
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area				
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)					
Full-Scope:																
Miami MSA	100%	16	\$1,542	278	\$14,041	4	\$114	5	\$2,233	302	\$16,130	100%				
Limited-Scope:																
None																

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE													State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Miami MSA	3%	0%	13%	17%	41%	83%	43%	0%	NA	NA	NA	NA	NA	NA	6	100%
Limited-Scope:																
None																

(*) Based on 1997 Aggregate HMDA Data only. FNBSM originated no HMDA loans during 1997.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT																State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998			
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans						
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total					
Full-Scope:																					
Miami MSA	3%	0%	13%	0%	41%	50%	43%	50%	NA	NA	NA	NA	NA	NA	4	100%					
Limited-Scope:																					
None																					

(*) Based on 1997 Aggregate HMDA Data only. The bank originated no HMDA loans during 1997.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE																State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998			
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans						
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total					
Full-Scope:																					
Miami MSA	3%	0%	13%	50%	41%	0%	43%	50%	NA	NA	NA	NA	NA	NA	2	100%					
Limited-Scope:																					
None																					

(*) Based on 1997 Aggregate HMDA Data only. The bank originated no HMDA loans during 1997.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS																	State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans								
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Miami MSA	11%	10%	20%	4%	30%	8%	39%	78%	27	.50%	.38%	.10%	.12%	.91%	278	100%							
Limited-Scope:																							
None																							

(*) Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM																	State: Florida		Evaluation Period: January 1, 1997 TO January 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans								
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Miami MSA	4%	0%	14%	0%	35%	25%	47%	75%	2	22%	0%	0%	23%	25%	4	100%							
Limited-Scope:																							
None																							

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE																State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998			
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans						
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total					
Full-Scope:																					
Miami MSA	23%	83%	16%	0%	19%	0%	42%	17%	NA	NA	NA	NA	NA	NA	6	100%					
Limited-Scope:																					
None																					

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only. The bank made no HMDA loans during 1997.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT																State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998			
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans						
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total					
Full-Scope:																					
Miami MSA	23%	25%	16%	25%	19%	25%	42%	25%	NA	NA	NA	NA	NA	NA	4	100%					
Limited-Scope:																					
None																					

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only. The bank made no HMDA loans during 1997.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE																	State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998				
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans								
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Miami MSA	23%	0%	16%	0%	19%	50%	42%	50%	NA	NA	NA	NA	NA	NA	2	100%							
Limited-Scope:																							
None																							

(*) As a percentage of loans with borrower income information available.

(**) Based on 1997 Aggregate HMDA Data only. The bank originated no HMDA loans during 1997.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS												State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998		
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans							
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size					
Full-Scope:																
Miami MSA	74%	53%	45%	90%	6%	4%	.50%	.60%	278	100%	\$54,230					
Limited-Scope:																
None																

(*) As a percentage of businesses with known revenues.

(**) As a percentage of loans with revenue information available.

(***) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1997 Aggregate Small Business Data only.

(****) Based on 1997 Aggregate Small Business Data only.

Charter Number: 15000

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM												State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998								
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans													
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size											
Full-Scope:																						
Miami MSA	85%	100%	44%	100%	0%	0%	22%	25%	4	100%	\$27,000											
Limited-Scope:																						
None																						

(*) As a percentage of farms with known revenues.

(**) As a percentage of loans with revenue information available.

(***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS										State: Florida		Evaluation Period: January 1, 1997 TO December 31 1998							
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments												
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s										
Full-Scope:																			
Miami MSA	0	0	0%	12	\$15	100%	12	\$15	100%										
Limited-Scope:																			
None																			

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM																State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998			
MSA/Assessment Area:	Deposits		Branches						ATMs						Population						
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches		Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs		Location of ATMs by Income of Geographies				% of the Population within Each Geography					
					Low	Mod	Mid	Upp				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp		
Full-Scope:																					
Miami MSA	100%	1	100%	0%	0%	0%	100%	4	100%	0%	0%	0%	100%	9%	19%	40%	32%				
Limited-Scope:																					
None																					

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations

Geographic and Borrower Distribution: CONSUMER LOANS																State: Florida		Evaluation Period: January 1, 1997 TO December 31, 1998			
MSA/ Assessment Area:	Geographic Distribution								Borrower Distribution												
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Total Consumer Loans				
	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	#	% of Total			
Full-Scope:																					
Miami MSA	9%	2%	19%	11%	40%	32%	32%	55%	20%	13%	30%	28%	34%	26%	16%	33%	1,672	100%			
Limited-Scope:																					

Charter Number: 15000

None									
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(*) The percentage of the population in the MSA/assessment area that resides in these geographies.