



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eastern National Bank
Charter Number 15748

799 Brickell Plaza
Miami, FL 33131-0000

Office of the Comptroller of the Currency

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating include:

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

Scope of Examination

Conclusions regarding the bank's lending performance are based on a sample of business loans originated during 2009 and 2010. The evaluation period for the lending test is January 1, 2009 through December 31, 2010. The lending test focused on small business lending, which is the bank's primary lending product. For the community development test, the evaluation period runs from the ending date of the last evaluation period (August 19, 2008) to the start date of this evaluation examination. The community development test includes a review of the investments, services and loans provided in the bank's assessment area that meet the definition of community development.

Eastern National Bank has designated Miami-Dade County as its assessment area. This assessment area includes all of the bank's branch locations and ATM services and received a full scope review of the bank's performance under the Community Reinvestment Act.

Description of Institution

Eastern National Bank (ENB) is an intrastate community bank headquartered in Miami, Florida. ENB is owned by Mercop, N.V. (Mercorp), a Netherland Antilles corporation. Mercop is owned by Corpofin, C.A, which is controlled by the Venezuelan government as a consequence of the government's intervention of Corpofin. ENB has three operating subsidiaries, formed for real estate holdings, and no affiliates. The subsidiary

activity is not relevant to this examination and such activity does not affect the bank's ability to lend or invest in its community.

ENB operates five branches in Miami-Dade County including two in the City of Miami, and one each in Hialeah, Coral Gables and Kendall. None of the bank's branches are located in low- or-moderate-income geographies. The bank offers a variety of deposit and loan products for businesses and individuals. ENB's primary business strategy is business lending (including international trade finance). An analysis of residential mortgage lending was not performed as only 34 Home Mortgage Disclosure Act (HMDA) reportable loans were originated during the evaluation period. An assessment of the low volume of mortgage loan originations would not produce a meaningful analysis.

As of December 31, 2010, Tier 1 Capital totaled \$35,087M or 7.97% of Adjusted Average Assets and the bank had total assets of \$444,721M. Total deposits were \$387,411M of which 62% were from foreign depositors (primarily Venezuelan and Guatemalan). Loans totaled \$345,044M or 77.59% of total assets and consisted of 75% business loans (34% real estate) and 25% consumer (18% residential real estate). Loans to foreign borrowers account for 27% of the bank's loan portfolio which indicates that, in part, domestic loans are being funded by foreign deposits.

During the evaluation period, ENB faced challenges to its ability to help meet the credit needs of its assessment areas. The bank experienced a significant decline in loans and total assets primarily due to the financial crisis, which has severely impacted the national and local economy. These issues had a significant impact on the bank's ability to originate loans, particularly residential real estate loans, as real estate values in the assessment area declined dramatically during the evaluation period. The bank's earnings performance suffered during the evaluation period, and the bank reported net losses for 2009 and 2010. These factors were considered during this evaluation.

ENB was rated "Satisfactory" in the most recent CRA examination (August 19, 2008).

Description of Assessment Area

ENB's assessment area (AA) consists of all the census tracts in Miami-Dade County. There are 347 census tracts in this AA with 27 low-income census tract and 99 moderate-income census tracts. This AA meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low or moderate-income geographies. Major employers in the county include Publix Super Market, Jackson Health Systems, and Baptist Health South Florida. Contacts with local business organizations indicate a need for small business lending and affordable housing.

The following table provides a description of the AA based on census data and 2009 Department of Housing and Urban Development information (HUD).

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA

Population	
Number of Families	552,484
Number of Households	777,378
Geographies	
Number of Census Tracts	347
% Low-Income Census Tracts	7.78%
% Moderate-Income Census Tracts	28.53%
% Middle-Income Census Tracts	32.85%
% Upper-Income Census Tracts	28.97%
Median Family Income (MFI)	
2000 MFI for AA	40,266
2009 HUD-Adjusted MFI	52,200
Economic Indicators	
2000 Unemployment Rate	5.2%
2010 Unemployment Rate	13.2%
2000 Median Housing Value	123,974
% of Households Below Poverty Level	18.08%

Source: 2000 Census, 2009 HUD data, and 2010 Bureau of Labor and Statistics.

The AA has a combined population of about 2.5 million people based on census data. Many other institutions compete in this market and ENB has less than 0.25% (www.fdic.gov) of the market share of deposits (as of June 30, 2010). The market is dominated by larger nationally known institutions such as Wells Fargo and Bank of America

Economic conditions in the AA are weak. The area suffered a significant downturn during the evaluation period due to the national and local housing crisis, and the local economy continues to suffer. Job losses and housing market volatility has been significant. Mortgage foreclosures and delinquency rates in the AA remain among the highest in the nation. The unemployment rate increased from 5.2% (2000 census data) to 12.6% (Bureau of Labor and Statistics) as of December 31, 2010. The increase in unemployment and continued economic volatility can be partly attributed to a significant decline in construction and land development jobs in the AA. Housing starts in the AA remain at record lows, and real estate values continue to decline. A review of information from the Miami-Dade Neighborhood Stabilization Program, HUD, and OCC-conducted community contacts indicates that community needs include affordable housing and small business lending. Funding for the acquisition of foreclosed properties, often in need of improvements, is also needed as the level of foreclosed properties in the AA are at record levels. Opportunities for community development lending and investments are limited in the AA due to the factors mentioned in this section. These factors were taken into consideration during the assessment of the bank's performance during the evaluation period.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated "**Satisfactory**".

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio of ENB is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's loan-to-deposit ratio is significantly higher than most other banks headquartered in the AA of similar size and characteristics. ENB's loan-to-deposit ratio quarterly, since the last CRA Examination, averaged 87.67%. The quarterly average loan-to-deposit ratio of banks, within the AA of similar size and characteristics, during the same time period was 63.89%.

Institution	Assets (000s) as of 12/31/10	Average LTD (10 Quarters)
Eastern National Bank	\$441,455	87.67%
JGB Bank, National Association	\$365,858	102.45%
Pacific National Bank	\$357,767	35.86%
The First National Bank of South Miami	\$372,386	55.95%
1 st National Bank of South Florida	\$307,299	60.51%

Lending in Assessment Area

Lending in the AA exceeds the standard for satisfactory performance. A substantial majority of the bank's lending activity is located within its AA. We reviewed a sample of business loans which originated during 2009 and 2010. Of the loans sampled, the bank originated 92.50% of the number of loans and 99.24% of the dollar volume of loans in the AA. The distribution is illustrated in the chart below.

Lending in Miami-Dade AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	37	92.50%	3	7.50%	100	\$24,621	99.24%	\$188	0.76%	\$24,809

Source: Sample of 40 business loans.

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

The distribution of loans to businesses of different sizes is reasonable and meets the

standard for satisfactory performance.

The distribution of loans originated in the AA to businesses of different sizes exhibits good penetration and meets the standard for satisfactory performance. This conclusion is based on the distribution on businesses in the AA and the bank's performance content. Loan originations to non-farm small businesses (businesses with revenues of \$1 million or less) are lower than the level of small businesses in the AA, in both the number of loans and the dollar volume. However, the bank's lending performance is near the percentage of businesses in the AA. The penetration is illustrated in the Table below.

Borrower Distribution of Loans to Businesses in Miami-Dade AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.30%	3.44%	15.26%	100%
% of Bank Loans in AA by #	56.76%	43.24%	0.00%	100%
% of Bank Loans in AA by \$	66.16%	33.84%	0.00%	100%

Source: Sample of 37 loans in the AA; Dunn & Bradstreet data 2010

The level of penetration of loans to small businesses in the AA was attributed to economic conditions in the AA and a tightening of underwriting standards for commercial loans.

Geographic Distribution of Loans

The geographic distribution of loans within the AA exhibits excellent dispersion and exceeds the standard for satisfactory performance. In the AA the geographic distribution of loans to businesses is more than reasonable, based on an assessment of lending in all tracts. In both low- and- moderate income geographies, the percentage of ENB's loan originations exceeds the percentage of businesses located in the geographies.

Geographic Distribution of Loans to Businesses in Miami-Dade AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	4.80%	8.11%	20.30%	21.62%	32.22%	43.24%	42.88%	27.03%

Source: Sample of 37 in the AA; Dunn and Bradstreet data 2010

Responses to Complaints

No complaints were received regarding the bank's CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated **"Satisfactory"**.

ENB adequately responded to community development needs in its AA through a combination of community development loans, investments, and services, given performance context, the bank's capacity. This is particularly true given the limited opportunities available in the AA due to economic conditions. Community development lending in the AA was very good and provided for affordable housing. Community development investments during the evaluation period were limited to the renewal of three certificates of deposits. Additionally, an adequate amount of prior period investments remain on the bank's books.

Number and Amount of Community Development Loans

Considering the bank's capacity, ENB originated an excellent level of community development loans. During the evaluation period ENB made ten loans community development loans totaling \$10,209M. All of these loans were to support affordable housing for low-to-moderate income individuals in the AA. Affordable housing was identified as a need in the AA.

Number and Amount of Qualified Investments

ENB has 17 qualifying community development investments, totaling \$2,053M. Of the total investments \$1,467M or 71.46% of the total community development investments represent prior evaluation period that remain on the bank's books. Prior period investments include;

- Five mortgage back securities (\$387M), that are collateralized by mortgages to low-to-moderate income borrowers in the bank's AA,
- An investment of \$1MM in a CRA qualified fund. ENB's funds were earmarked for \$583M to Housing Finance Authority of Miami-Dade County and \$417M to the Florida Housing Finance Corporation, Homeowner Mortgage Revenue Bank during the evaluation period. Both of these organizations help to provide affordable housing in the AA,

Three CDs were renewed two times each during the evaluation period. One of the CDs (\$99M) is at a minority-owned financial institution in Miami-Dade County. The other two CDs are community development financial institutions (\$194M).

Extent to Which the Bank Provides Community Development Services

ENB provided community development services by assisting local community organizations with technical support. In addition, several bank employees volunteer in a

program that paints schools in low-to-moderate income areas in the AA. The bank is a member of a consortium of financial institutions that have developed a not-for-profit organization established to fund a no-interest loan program. ENB's contribution to this consortium was \$25M prior to this evaluation period.

None of the bank's branches are located in a low- or moderate-income geography; however, the bank's strong performance in the Geographic Distribution portion of the Lending Test indicates that it is doing a good job of reaching out to these areas through direct contact. The bank's Hialeah branch is located in a middle income tract and is easily accessible to three moderate income tracts.

ENB offers a variety of consumer and commercial banking products and services as described in the CRA Public File. The bank does offer a First Time Homebuyers Mortgage (FTHM) product and participates in the Eximbank program. The FTHM product targets low-to-moderate income individuals and provides information regarding closing costs and down payment assistance available to the borrowers. During the evaluation period the bank originated five loans, which were reported within the bank's HMDA data that were to borrowers who received down payment or closing costs assistance from Miami-Dade County or a municipality in the AA.

Responsiveness to Community Development Needs

The bank's community development activities are responsive to the AA needs for affordable housing. Community development loan activity is particularly responsive based on the dollar amount of the loans. These loans are all for affordable housing in the AA and includes rentals. Qualified prior-period investments continue to have a positive affect in the areas of affordable housing and community development. Also, deposits in a community development credit union continue to help the organization serve the financial needs of low- and moderate-income geographies in the bank's AA. Community service activity helps to meet affordable housing needs in the AA and provide financial information to low-to-moderate income individuals.

Fair Lending or Other Illegal Credit Practices Review

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