



PUBLIC DISCLOSURE

May 2, 2016

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Continental National Bank
Charter Number 16325

1801 SW First Street
Miami, FL 33135

Office of the Comptroller of the Currency

Miami Field Office
9850 NW 41st Street, Suite 260
Miami, FL 33178

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

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

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

Scope of Examination

This examination addresses Continental National Bank's efforts in meeting its community's credit needs. The last CRA Performance Evaluation dated April 22, 2013 was rated "Outstanding". We evaluated the CRA performance of Continental National Bank using Intermediate Small Bank performance criteria. Our evaluation covered the period from April 22, 2013 through May 1, 2016. We focused on lending activity from January 1, 2013, through December 31, 2015 for analysis purposes. Consistent with the Bank's primary lending focus, small loans to businesses were sampled. The Bank originates a minimal number of home mortgage loans.

Description of Institution

Continental National Bank (CNB) is a minority-owned intrastate commercial bank established in 1974 and headquartered near downtown Miami, Florida. The Bank was the first Cuban-American community bank established in the United States. CNB is owned by Continental Bancorporation, a one-bank holding company also headquartered in Miami.

As of March 31, 2016, CNB operated six banking offices within Miami-Dade County. The main office is located in Miami's Little Havana neighborhood. The Bank has opened one branch since the previous performance evaluation completed in 2013. The new branch is located in Doral, Florida in an upper-income geography. The Bank closed two branches in

Hialeah, Florida that were in moderate-income geographies during the evaluation period. One of the closed branches was opened under a lease agreement with the pharmacy retailer Navarro (acquired by CVS Pharmacy) and the second branch was opened under a lease agreement with Wal-Mart (retailer). These ventures with retailers were not sustainable due to competitive challenges and cost factors.

The Bank had assets of \$441.3 million as of March 31, 2016. As of year-end 2015, the Bank had total assets of \$412.8 million and total deposits of \$365.4 million. Tier 1 capital totaled \$34.9 million as of December 31, 2015. CNB offers a wide variety of deposit and loan products, as detailed in the Bank's Public File. The Bank's primary business strategy includes commercial lending, with a focus on real estate development. Total loans represent 52 percent of assets at \$227.9 million and include the following categories: commercial real estate loans (61.32 percent), other consumer loans (9.83 percent), residential mortgage loans (24.34 percent), and commercial and industrial loans (4.51 percent). Multifamily housing represents 15.94 percent of total loans.

There are no legal or other factors that impede the Bank's ability to meet the credit needs in its assessment area. The Bank's rating at its preceding CRA examination, dated April 22, 2013, was "Outstanding".

Description of Assessment Area

The Bank's assessment area (AA) consists of Miami-Dade County and comprises the entire Metropolitan Division (MD) 33124. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Miami-Dade County is located in the southeastern part of the State of Florida. As of the 2010 census, the County had a population of 2,496,435, making it the most populous county in Florida and the seventh-most populous county in the United States. It is also Florida's third largest county in terms of land area, with 1,946 square miles. The County contains approximately half of the Miami metropolitan area's population and several of its largest cities. The county seat is Miami.

According to the 2010 Census, the Miami-Dade MD geographies increased to 518 geographies distributed as follows: 31 (6 percent) low-income, 132 (26 percent) moderate-income, 166 (32 percent) middle-income, 172 (33 percent) upper-income, and 17 (3 percent) no income data. The cost of living in the Miami-Dade MD remains high even though there are indications of improvements in unemployment, real estate foreclosures, and other economic conditions during the evaluation period. Unemployment as of December 31, 2015, was 5.8 percent and has trended lower compared to 10.3 percent in 2011 and 13.6 percent in 2010 that represent years of high unemployment. The Federal Financial Institutions Examination Council's (FFIEC) adjusted median family income (MFI) was \$49,000 for 2013, \$48,400 for 2014, and \$49,200 for 2015. Based on the MFI, low- and moderate-income (LMI) people have incomes of less than 80 percent of the median family income, or less than \$39,200, \$38,720, and \$39,360, respectively for the years discussed. The poverty level remains high at approximately 18 percent for the 2010

Census report of demographic information. Housing costs are high with the median sales price of a single-family home of \$235,000 as of August 2013 increasing to \$274,000 in 2015 according to an assessment by the Miami Association of Realtors. The high median cost makes it difficult for LMI people to own a home in the AA without the help of loan subsidies. In addition, the high property tax and insurance premiums add significant cost to owning a home. The demand for single-family homes has been fierce with foreign investors quickly buying homes with cash, making it difficult for LMI people to take advantage of lower cost homes on the market while they go through the sometimes-lengthy loan approval process.

Major industries include real estate development, trade business with Latin America, and tourism. According to Dunn and Bradstreet, there were 354,431 non-farm businesses in the Miami-Dade MD for 2015 of which 79.54 percent are considered to be small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73.20 percent) of all non-farm businesses are concentrated in the County's middle- and upper-income geographies.

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

Banking competition is very intense in the AA. Based on FDIC data as of June 30, 2015, there were 67 financial institutions operating 688 banking offices in the Miami-Dade County AA, including branches of the largest banks in the country. CNB ranks thirty-seventh in deposit market share at 0.29 percent. Competition for loans is even more intense since numerous mortgage companies also operate in the AA and national credit card lenders compete for small business loans.

Conclusions with Respect to Performance Tests

LENDING TEST

The Bank's performance under the Lending Test is rated "**Outstanding**". The Bank has exhibited an excellent dispersion of loans in the AA and a reasonable penetration for businesses of different sizes.

Loan-to-Deposit Ratio

- **CNB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.**

The Bank’s quarterly average loan-to-deposit ratio since the last CRA Performance Evaluation is 63.18 percent and is within the range of other similarly situated banks in the AA for the same time period. The similarly situated banks had quarterly average ratios ranging from 63.17 percent to 84.41 percent. Similarly situated banks with quarterly averages include Terrabank, N.A. (79.59 percent), Executive National Bank (84.41 percent), International Finance Bank (77.17), Pacific National Bank (82.52 percent), and Helm Bank, USA (63.17 percent).

Lending in the Assessment Area

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

A substantial majority of the Bank's lending activity is located within its AA. We reviewed a sample of 60 business loans that originated from January 1, 2013 through December 31, 2015. Of the loans sampled, the Bank originated 59, or 98.33 percent of the number of loans and \$13.7 million, or 99.85 percent of the dollar volume of loans in the AA. The distribution is illustrated in the table below.

Table 1 - Lending in Miami-Dade MD										
Loan Type	Number of Loans					Dollars Amount of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	59	98.33%	1	1.67%	100%	\$13,741	99.85%	\$20	0.15%	\$13,761

Source: Sample of 60 loans taken from loan origination reports, January 1, 2013- December 31, 2015.

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

- **The distribution of loans to businesses of different sizes exhibits a reasonable penetration and meets the standard for satisfactory performance.**

The distribution of loans originated in the AA to businesses of different sizes exhibits reasonable penetration. In the Bank’s Miami-Dade AA, the number of the Bank’s loans was near to the percentage of small businesses (businesses with revenues of \$1 million or less) in the AA. The dollar volume of the Bank’s loans to small businesses is very near to the percentage of small businesses in the AA, as depicted in the following table.

Table 2A - Borrower Distribution of Loans to Businesses in Miami-Dade MD				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.54%	3.24%	17.22%	100%
% of Bank Loans in AA by #	69.49%	30.51%	0.00%	100%
% of Bank Loans in AA by \$	79.46%	20.54%	0.00%	100%

Source: Loan sample had 59 loans inside the assessment area. Dunn and Bradstreet data 2015.

Geographic Distribution of Loans

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

The geographic distribution of loans within the AA exhibits excellent dispersion and exceeds the standard for satisfactory performance. As depicted in the following table for the years 2013 through 2015, CNB’s loan originations in low-income geographies exceed the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of the Bank’s loans also exceeds the percentage of businesses located in such geographies. There are no unexplained conspicuous gaps in the Bank’s lending patterns. Geographies in the AA without loan penetration are due to CNB’s limited number of offices and the large AA served. These limitations prevent the Bank from penetrating all areas in the AA.

Table 3A - Geographic Distribution of Loans to Businesses in Miami-Dade MD								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
	3.14%	10.17%	21.91%	38.98%	26.96	16.95%	46.24%	25.42%

Source: Dunn & Bradstreet U.S. 2010 Census data. Loans sample of 59 loans inside the assessment area with 8.48 percent of the loans located in geographies with no income designation. 1.75 percent of AA businesses were in no income-designated geographies.

Responses to Complaints

The Bank has not received any complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

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

The Bank's community development performance demonstrates an excellent responsiveness to community development needs in its AA through a combination of community development loans, investments, and services. Considering the Bank’s capacity and economic challenges during the evaluation period, community development lending in the AA was excellent and provided for affordable housing and financing of small businesses in the AA.

Number and Amount of Community Development Loans

Considering the Bank’s capacity and economic challenges, CNB originated an excellent level of community development loans. During the evaluation period, CNB made seven community

development loans that supported affordable housing totaling \$9.6 million. Affordable housing is a critical need in the AA.

Number and Amount of Qualified Investments

During the evaluation period, the Bank made 50 qualifying investments including mortgage-backed securities, donations, and certificates of deposit in minority-owned depository institutions totaling approximately \$6.4 million. This level of investment is excellent considering that investment in mortgage-backed securities provides funds to low- and moderate-income families to purchase homes in the AA. Furthermore, CNB's funds in minority-owned financial institutions support those institutions' role in promoting the economic viability of underserved communities. There were no prior period investments.

Extent to Which the Bank Provides Community Development Services

The Bank provides a good level of community development services through its branches, products, services, and activities with local organizations that support community development. As of March 31, 2016, CNB had six branches with the main office located in a low-income geography, three branches located in moderate-income geographies, one branch is in a middle-income geography, and one is located in an upper-income tract. During the evaluation period, CNB closed two branches in Hialeah, Florida that were in moderate-income geographies and opened one branch in Doral, Florida, an upper-income geography, in January 2016.

The Bank offers a variety of consumer and commercial banking products and services as described in the CRA Public File. Of particular note is a free checking account for persons 62 or more years of age and a low-cost checking account that can be opened with no minimum balance.

Community development services provided by the Bank exhibits a good level of activity. Bank executives and staff provided 533 hours of support to financial literacy for small business owners, entrepreneurs, and the youth. Some of the services included the following activities.

Grow Entrepreneurship Program - This program is designed to provide members of the community with instruction on how to grow their small business. The ultimate goal of the program is to have participants create an action plan for their existing business that identifies ways in which their business can expand. The program also serves as an introduction to the services available from the Small Business Administration loan programs and what services can be applied for at CNB.

Center for Financial Training (Future Banker's Camp) - This program works with the Miami-Dade College Center for Financial Training and numerous banks in the community. It is designed to mentor or provide financial literacy for high school students from low- and moderate-income geographies. Students are sponsored by local area banks for free. The students are provided instruction at each bank according to the internal procedures at those

banks. At CNB, interns are instructed by Bank personnel in all areas of the Bank. During the evaluation period, the Bank sponsored five interns.

Miami All Stars - A program sponsored by the Bank in April 2015 designed to instruct low- and moderate-income high school juniors and seniors on how to apply for and obtain financial services and aid for college admission. Twenty students participated in the event.

Disaster Preparedness Workshop - An event that CNB co-sponsored with Florida International University, Small Business Development Corporation, The Beacon Council, and the City of Miami Beach. The program was designed to help small, local area businesses understand the need for business continuity plans and how to better prepare for disasters (natural or man-made).

Small Business Administration - CNB is a certified Small Business Administration (SBA) lender and also participates in the United States Department of Transportation (DOT) Short Term Lending Program. The Bank funded 22 SBA guaranteed loans under the SBA 7(a) and Express/Export Express programs and 19 loans under the SBA 504 program. SBA program descriptions follow. Many of these loans were part of the loan sample and were considered in the Lending Test. We mention the program under this test in consideration that the program provides a valuable conduit to small businesses promoting economic development through the financing of small businesses.

- **SBA 7(a)** - The Small Business Administration 7(a) loan is the most commonly used government-guaranteed loan program. This type of loan gives small- to medium-sized businesses access to non-traditional sources of capital. The loan offers up to 90 percent total project financing, minimal down payment, easy application process, longer repayment terms, broad eligibility, and no balloon payments. SBA 7(a) loan recipients are for-profit small businesses with good credit and track record of sufficient cash flow, including manufacturing, wholesale, retail and service businesses as well as independent and franchise businesses.
- **SBA Express** - As an approved SBA Express lender, CNB provides fast turnaround, as well as streamlined processing, for smaller loans and lines of credit up to \$350,000 with a 50 percent guarantee from the SBA. The loan provides up to a two-year revolving line of credit, converting to a five-year term thereafter or fully amortized term loan. Small Business Administration Express loans are designed to handle smaller SBA loan needs in a quick manner. As a result, the application process is simplified, there are faster turnaround times on loan decisions, longer repayment terms, and a minimal down payment.
- **SBA 504** - Small Business Administration 504 loans offer longer terms and fixed rates, which makes them a good option when purchasing major assets such as land, buildings, major machinery and equipment, or when planning extensive renovations. The SBA 504 loan provides up to 90 percent total financing, fixed rate for 20 years on the SBA portion of the loan, higher loan amounts, enhanced business cash flow and liquidity preservation, low down payment (as low as 10 percent), predictable monthly payment, and no balloon payment (on the SBA portion of the loan). SBA 504 loan recipients must be existing,

for-profit businesses with an average two-year net worth of \$15 million or less and with after-tax profits of less than \$5 million. The owner/user of the project being financed must occupy at least 51 percent of the property.

- **U.S. Department of Transportation (DOT) Short Term Lending Program** - The DOT program allows the Bank to offer eligible disadvantaged business enterprises and other minority-owned companies a line of credit up to \$750,000 to fund invoices for work done under transportation infrastructure contracts or sub-contracts. The Bank also offers a similar program providing lines of credit up to \$250,000 for work done under contract or sub-contract with Miami-Dade County.

Responsiveness to Community Development Needs

The volume and responsiveness of CNB to the community development needs of the AA is excellent. The Bank is aware of affordable housing needs, small business needs, and the need for services to low- and moderate-income people in the AA. Community contacts consistently rank affordable housing as the most pressing need in Miami-Dade County.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.