

PUBLIC DISCLOSURE

06/09/97

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eagle National Bank
Charter Number 14804**

**701 Brickell Avenue, Suite 1250
Miami, Florida 33130**

Office of the Comptroller of the Currency

**Miami Duty Station
5757 Blue Lagoon Drive, Suite 200
Miami, Fl. 33126**

NOTE: 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.

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 **Eagle National Bank** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 9, 1997. (THIS DATE SHOULD BE EQUAL TO THE DATE IN THE COVER) The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Eagle National Bank's performance was evaluated using the small bank performance criteria. Satisfactory performance is supported by a reasonable loan to deposit ratio based on the bank's performance context and in comparison to similarly situated institutions in its assessment area. A majority of the bank's loans were made within its assessment area and a large percentage of its commercial lending favors small businesses within the community.

The bank's last CRA evaluation was dated December 31, 1993. It was rated "Satisfactory Record of Meeting Community Credit Needs."

The following table indicates the performance level of Eagle National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Eagle National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints		X	

DESCRIPTION OF INSTITUTION

Eagle National Bank (Eagle) is a foreign-owned community bank headquartered in Miami, Dade County, Florida. As of 3/31/97, the bank had total assets of \$198.9 million and \$99 million in total loans. The major components of the loan portfolio are commercial loans (71%) and real estate loans (28%). Loans to individuals are not significant at only 1 percent of total loans outstanding. The bank's strategic focus and expertise is in commercial lending heavily weighted to international activities, primarily trade financing.

Eagle has five offices in Dade County. The main office is located in the Brickell Avenue financial district of Miami. The bank recently relocated to this office from their 1500 Biscayne Boulevard location, which remained as a branch. This action served to make Eagle more accessible to its international clientele while maintaining a convenient location for its domestic customers. The other four branches are well dispersed throughout central and northern Dade County. Their southernmost branch is in the city of Coral Gables, an affluent municipality in central Dade County, and their northernmost branch is located in North Miami, a racially mixed residential/commercial area near the waterfront. They also have a presence in the high growth area west of the Miami Airport, also known as Miami International Commerce Center (MICC).

There are currently no legal impediments that hinder the bank's ability to meet the credit needs of its assessment area in a manner consistent with its resources and business focus. However, in early 1994 the parent of Eagle's holding company, Banco de Colombia, was sold in a privatization transaction. This triggered a change in control application with the Federal Reserve Board by the new owners which has been pending approval ever since.

The prolonged approval process has prevented the prospective new owners from injecting much needed capital to support additional growth. Uncertainty related to the pending change in ownership also caused high turnover in the bank's senior management ranks, including the loss of its President and Senior Lending Officer. This staffing turmoil, coupled with the stymied efforts to increase capital, has caused the comparatively lower level of lending experienced since 1993. But the trend is now reversing itself with the addition of a new president and a new strategic direction for the bank. Under the new president's leadership, the bank has become more aggressive in international activities, drawing on her extensive background in this market.

When analyzing the deposit and loan distribution, the bank's international orientation must be considered. Although as of March 31, 1997, total deposits for the institution exceed \$138 million, foreign deposits are 36% of that figure at approximately \$50 million. These foreign deposits are mostly from Colombia and, while historically stable and available for lending, currently suffer from an additional measure of volatility due to the uncertainty related to the change in control application.

Also, the remaining \$88 million in domestic deposits include \$22 million in public funds, which are funds provided by governmental depositors to the highest bidder. These funds are not customer-based deposits available for community lending, but are obtained more as an asset/liability management tool for the bank due to their rate sensitivity.

DESCRIPTION OF ASSESSMENT AREA

Eagle's assessment area includes the entire Dade County Metropolitan Statistical Area (MSA). According to demographic information from the 1990 census, Dade County has a total population of approximately 1.9 million persons. The five major municipalities in the county, in terms of population, are Miami, Hialeah, Miami Beach, North Miami, and Coral Gables. They account for about 39% of the population.

There are 485,213 families residing in the county, with a median family income of \$31,113. Of these, 113,171 (23%) are low income families, having an income that is 50 percent, or below, of the median family income for the entire MSA. Another 79,563 (16%) are moderate income, with income between 50 and 80 percent of the MSA's median, and 93,090 (19%) are middle income families, defined as having an income above 80 percent but below 120 percent of the median. The remaining 199,367 families (42%), are considered upper income, having an income equal to 120 percent or more of the MSA's median family income.

The county is divided into 267 census tracts of which: 36 or 13% are low income geographies; 57 or 21% are moderate income tracts; 96 or 36% are middle income tracts, and 75 or 28% are upper income geographies. The definitions of low, moderate, middle, and upper income used above apply here also. There are 3 census tracts in the MSA that are non-designated because they do not have enough population to derive a statistically valid median.

Dade County's economy is fairly stable. The economic backbone of the county is a well developed service industry, lead by the financial and medical services sectors. Tourism is another major economic force within the county. Collectively, they employ the largest percentage of residents. The federal, state and local governments are also significant employers.

However, over the past several years the county has emerged as a major financial and trading center for Latin America. Competition among providers of financial services in the county is very strong for this trade-related business. Eagle's competition comes from locally owned community banks, branches of multinational and regional banks, as well as agencies and branches of foreign banks.

Information from three community contacts made by different bank regulatory agencies in the area were used during this review. The first contact is an organization that promotes small and large businesses in the area in order to foster job creation and retention in the community. This contact indicated that there is a great need for financing small business ventures, as well as training and development of entrepreneurs, to encourage self reliance and growth in the community. Lending opportunities exist for financial institutions or organizations that are willing to accept the risk associated with financing these businesses.

The second and third community contacts are both facilitators of affordable housing financing, in partnerships with public/governmental agencies and financial organizations. They stated that there is a continuing need for below-market loans to allow low- and moderate-income individuals to secure owner-occupied, affordable housing in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

Eagle's quarterly loan to deposit ratio, averaged between March 1994 and December 1996, is reasonable at 48.5%. A peer group of community banks in Dade County with less than \$250 million in assets, averaged about 55.6% of its deposits being reinvested in loans. But the factors related to the pending change in control application, and the capital and liquidity concerns that have resulted from that event, account for Eagle's comparatively lower ratio. This trend is currently changing as the bank increases its lending under a new management team. Please refer to the *Description of the Institution* section above for additional information.

Lending in Assessment Area

A majority of the loans approved by the bank since their last CRA evaluation are located within its assessment area. Between year end 1993 and 1996 the bank approved approximately 500 loans for \$110 million in loaned funds. Of these 65% (326), were in the assessment area, while the remaining 35% were outside its assessment area, including foreign countries.

In dollar terms, this equates to \$31 million, or 28%, of the total dollars lent by the bank during this period. The comparatively lower percentage in terms of dollars is reflective of the international loans, which tend to be much larger than domestic loans.

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

For analysis purposes, we used a sample of commercial loans made since the last CRA evaluation since this is consistent with the bank's target market and expertise. Commercial loans are also the most prevalent type of loan made by the bank.

We chose a random sample of 82 domestic commercial loans dated between December 31, 1993 and year to date 1997. This sample represented about 27% of the total commercial loans outstanding as of March 31, 1997 and was 64% of all those commercial loans in the bank's portfolio that were dated between the above dates. In dollar terms, the sample represents about 9% of the total outstanding and 36% of those loans within the period of review.

The purpose for analyzing this sample was to determine the distribution of loans to small business in the bank's commercial loan portfolio. For purposes of this CRA evaluation, a small business is defined as a commercial enterprise that generates \$1 million or less in annual gross revenues.

Based on our sample, the distribution of commercial loans showed the following dispersion by business revenues of borrowers:

Business Revenue	Number of Loans	\$ Amount (000's)	Pctg. of Number of Loans	Pctg. of \$ Amount
< \$1 million	33	\$3,365	40.2%	40.9%
> \$1 million	49	\$4,867	59.8%	59.1%

This distribution does not include the bank's support of small import and export businesses in its assessment area through its letters of credit activities. Most account parties or beneficiaries of these letters of credit are small local companies involved in trade with Latin America. The credit facilities extended by the bank facilitate trading activities and promote economic development in the community.

The bank has also made efforts to meet the housing needs of the community through its commercial lending activities by providing financing for multi-family real estate projects that provide affordable housing. Just recently they approved a \$1.1 million loan to refinance a 48-unit, subsidized rental apartment building in South Miami. They also made a \$2.3 million loan to finance the purchase and renovation of a 68-unit apartment building which will provide affordable housing in a low- to moderate-income area of Miami Beach. This type of lending helps to meet an identified need for affordable housing in these communities as indicated by various community organizations recently contacted by the banking regulatory agencies.

Geographic Distribution of Loans

The distribution of loans among tracts of different income levels within the bank's assessment area is reasonable given their branch network. As of March 31, 1997, Eagle had 347 domestic loans, or \$40,325,111 outstanding within its assessment area. The table below shows how these loans were distributed among the different census tract designations:

Census Tract Income Level	Number of Loans	\$ Amount	Pctg. Loans	Pctg. of \$ Amount
Low	18	\$3,675,169	5.19%	9.11%
Moderate	56	6,448,300	16.14%	15.99%
Middle	111	13,252,551	31.99%	32.86%
Upper	162	16,949,090	46.49%	42.03%

While the volume of lending in low and moderate income tracts does not compare favorably with the percentage of low and moderate tracts in the assessment area (34%), this is explained by the fact that a substantial majority of the bank's loans are located in census tracts immediately surrounding each of their branches. We noted no lending gaps in low- and moderate-income geographies near bank branches. The low- and moderate-income areas where the bank has no loan penetration are not easily accessible to their branches.

The effect of the loan-clustering around the branches is specially notable in the case of the bank's most active branch in terms of loans, MICC/Airport. This area is highly commercial and largely populated by small import and export businesses which is the bank's primary market. The branch is located in the borderline between a large upper-income census tract and two moderate-income areas. A large number of the loans around that branch are located in the upper income tract, but that is because the adjacent moderate-income tracts contain Miami International Airport and vicinity, where there is little loan demand. The high ratio of lending by that branch in that large upper-income tract tends to distort the bank's lending distribution towards the upper income geographies.

Response to Complaints

The bank has only received one complaint regarding its CRA performance since the date of the last evaluation. This complaint was received indirectly, as part of other public comments made in March of 1995 to the Board of Governors of the Federal Reserve, by an out-of-area organization (New York City). This organization was protesting the new owners' application for a holding company and change in control of Eagle.

The bank responded appropriately to the complaints and invited the organization's local representatives to visit with management and discuss ideas how the bank can better serve the needs of the residents of its assessment area. No response has been received to date from the complainant.

Compliance with Antidiscrimination Laws and Regulations

The March 31, 1997 compliance examination noted no evidence of discrimination in the bank's lending practices.