



## **PUBLIC DISCLOSURE**

August 23, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of South Miami  
Charter Number 15000

5750 Sunset Drive  
South Miami, FL 33143

Office of the Comptroller of the Currency

9850 N.W. 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, 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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## Overall CRA Rating

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

**The lending test is rated: Satisfactory.**

**The community development test is rated: Outstanding.**

The major factors that support this rating include:

- The Lending Test rating is based on The First National Bank of South Miami's (FNBSM or Bank) more than reasonable loan to-deposit (LTD) ratio, a majority of loans originated in the assessment area (AA), a reasonable distribution of loans in low- and moderate-income (LMI) geographies, and a reasonable distribution of lending among businesses of different sizes.
- The Community Development (CD) Test rating is based on the excellent responsiveness to CD needs in the AA through CD lending, qualified investments, and CD services.

### Loan-to-Deposit Ratio

Considering the Bank's size, financial condition, and credit needs of the AA, the Bank's LTD ratio is more than reasonable.

FNBSM's LTD ratio is more than reasonable given the performance context of the AA, including location, local competition, and the credit needs of the AA. This determination is based on the average LTD ratio of 84.4 percent from the first quarter of 2018 through the fourth quarter of 2020. The quarterly average LTD ratio for three similarly situated banks was 74.1 percent ranging from a low of 52.0 percent to a high of 90.5 percent. Peer banks used in the analysis are similar in asset size, business strategy, and have main offices and branches in the AA.

### Lending in Assessment Area

A majority of the Bank's loans are inside its AA.

FNBSM originated 71.4 percent of its total loans inside the AA during the evaluation period. This analysis is performed at the Bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. This performance was factored into the overall analysis of the geographic distribution of lending by income level of geography.

| Lending Inside and Outside of the Assessment Area |                 |      |         |      |         |                                 |      |         |      |                |
|---|-----------------|------|---------|------|---------|---------------------------------|------|---------|------|----------------|
| Loan Category                                     | Number of Loans |      |         |      | Total # | Dollar Amount of Loans \$(000s) |      |         |      | Total \$(000s) |
|   | Inside          |      | Outside |      |         | Inside                          |      | Outside |      |                |
|   | #               | %    | #       | %    |         | \$                              | %    | \$      | %    |                |
| Small Business                                    | 20              | 71.4 | 8       | 28.6 | 28      | 5,755                           | 64.7 | 3,145   | 35.3 | 8,900          |
| Total   | 20              | 71.4 | 8       | 28.6 | 28      | 5,755                           | 64.7 | 3,145   | 35.3 | 8,900          |

## Description of Institution

FNBSM is a single state community bank headquartered in South Miami, Florida and established in 1952. The Bank is a wholly owned subsidiary of First Miami Bancorp Incorporated, a one-bank holding company with total assets of \$896.9 million as of December 31, 2020. The holding company operates from the Bank's location. FNBSM has one operating subsidiary, First National South Miami Safe Deposit Company, which operates out of the Bank's main office. The subsidiary is a department of FNBSM that provides safe deposit services to consumers and businesses in the Bank's market area. The subsidiary's activities are not relevant to this evaluation and such activities do not affect FNBSM's ability to lend or invest in its community. The Bank did not have any merger or acquisition activity during this evaluation period. FNBSM closed one limited-service branch in a middle-income geography in the AA.

The Bank offers traditional loan and deposit products to consumers and businesses. Deposit products include checking accounts, savings accounts, negotiable order of withdraw (NOW) accounts, money market deposit accounts, and certificates of deposit accounts. Lending products include commercial real estate, commercial & industrial, and consumer loans. FNBSM's business strategy is not limited to any one business endeavor. However, banking relationships through commercial lending represent the primary business strategy.

FNBSM has one AA comprised of all of Miami-Dade County, which is equivalent to Metropolitan Division (MD) 33124 (Miami-Miami Beach-Kendall, FL). Miami-Dade County is one of three counties within the Metropolitan Statistical Area (MSA) 33100 Miami-Fort Lauderdale-West Palm Beach, FL. The Bank had four branch offices (The Falls, Doral, Coral Gables, and the Main Office) all located in Miami-Dade County during the evaluation period. The main office and The Falls branch offer automated teller machines (ATMs) and drive thru services with reasonable hours of operations. FNBSM also allows its customers to access the ATM network owned by the Florida based Publix grocery store chain (Presto!). This arrangement gives its customers access to a network of 1,200 ATMs located at Publix stores throughout Florida, Georgia, Alabama, Tennessee, North Carolina, South Carolina, and Virginia. Other services provided to its customers include online banking, cash management, merchant services, and mobile banking through the Bank's website and mobile application.

As of December 31, 2020, the Bank had total assets of \$841.9 million, total net loans of \$605.3 million, total deposits of \$724.2 million, and tier 1 capital of \$83.4 million. During the same period, commercial real estate loans represented 84.6 percent of net loans, commercial & industrial represented 15.0 percent, and consumer loans represented 0.2 percent.

FNBSM did not face any legal, financial, or other factors impeding the ability to help meet the credit and CD needs in its AA during the evaluation period. The Bank received an overall rating of "Satisfactory" during its previous CRA performance evaluation dated September 10, 2018. However, the coronavirus disease (COVID-19) pandemic in 2020 impacted the local economy, including unemployment data. The U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) provided loans to help businesses keep their workforces employed during the COVID-19 crisis. FNBSM was particularly responsive to the SBA's PPP and originated a significant volume of PPP loans, given the Bank's size and capacity.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated the Bank's CRA performance using Intermediate Small Bank performance criteria. Our evaluation covered the period from January 1, 2018 through December 31, 2020 focusing on business lending, which is FNBSM's primary business focus. Loan reports, CD loans, investments, and services, submitted by Bank management were verified to ensure accuracy and to ensure applicable activities met the regulatory definition for CD.

With an evaluation period end date of December 31, 2020, Bank qualifying activities performed in response to the significant impact of the COVID-19 pandemic has had on economies across the United States are addressed in this evaluation. This includes approximately 438 PPP loans originated in 2020.

### **Selection of Areas for Full-Scope Review**

In each state where the Bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The Bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings. FNBSM has one AA and one primary product that received consideration. Other lending products were not evaluated since the Bank's primary loan product is loans to small businesses.

The MMSA rating and state ratings are based on performance in all Bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, Bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank, or in any AA by an affiliate whose loans have been considered as part of the Bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The CRA performance rating was not lowered as a result of these findings. We considered the nature, extent, and strength of the evidence of the practices; the extent to which the institution had policies and procedures in place to prevent the practices; and the extent to which the institution has taken or has committed to take corrective action, including voluntary corrective action resulting from self-assessment; and other relevant information.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Florida

**CRA rating for the State of Florida:** Satisfactory.

**The Lending Test is rated:** Satisfactory.

**The Community Development Test is rated:** Outstanding.

The major factors that support this rating include:

- The Bank's LTD ratio is more than reasonable over the evaluation period.
- A majority of the Bank's loans are inside its AA.
- The Bank exhibits reasonable geographic distribution of loans throughout the AA.
- The distribution of loans among businesses of different sizes is reasonable.
- The responsiveness to CD needs is excellent considering the mix of CD lending, qualified investments, and services in the AA.

### Description of Institution's Operations in the State of Florida

FNBSM's primary lending products are commercial real estate loans and commercial & industrial loans. The Bank operates four branches in the AA. All four branches are located in upper-income census tracts (CTs). Banking lobby, ATM, and drive-thru services are accessible to all customers residing in the AA.

The economic effect created by the COVID-19 pandemic was detrimental on families and businesses in Miami-Dade County. On March 20, 2020, the State of Florida declared a statewide stay-at-home order, which mandated the closure of all non-essential businesses in an effort to prevent the spread of COVID-19. On May 14, 2020, non-essential businesses throughout Florida were permitted to reopen with occupancy restrictions. On April 29, 2021, the State of Florida suspended all COVID-19 public health restrictions and businesses were allowed to open at full capacity.

A lack of affordable housing inventory, high home prices, and slow economic recovery created by the COVID-19 pandemic represent key challenges for LMI families to purchase homes. The 2015 American Community Survey (ACS) Census estimates the median value of owner-occupied housing units for the MSA 33100 to be \$227,861, while the poverty level was 16.3 percent. According to the 2015 ACS Census, 19.1 percent of households spend more than 30 percent of their income for mortgage payments. The average home value in the MSA is 12 percent above its long-term pricing trend according to a 2020 report from Florida Atlantic University. High home prices are attributed to low mortgage rates, low supply of homes for sale, and a steady arrival of new residents moving to MSA 33100.

Rents are also high in the MSA 33100 with a median monthly gross rent of \$1,194. LMI renters, particularly low-income, also need rental subsidies to assist with rental payments. Additionally, 19.1 percent of households spend more than 30 percent of their income for rental payments. The economic impact of COVID-19 created an adverse housing situation for both renters and homeowners. The

Coronavirus Aid, Relief, and Economic Security (CARES) Act and various government programs prohibited evictions for LMI renters and homeowners requiring assistance.

The economy continues to improve from the COVID-19 recession, but employment has not returned to pre-pandemic levels. The unemployment rate in Miami-Dade County was 8.0 percent as of December 31, 2020 compared to 2.6 percent as of December 31, 2019. According to a report by Florida International University, the MSA 33100 lost 629,599 jobs in the first two months of the pandemic compared to 234,965 jobs lost between 2007 and 2008 due to the housing crisis that led to a national recession.

| Unemployment Rates | 2018 | 2019 | 2020 |
|--------------------|------|------|------|
| United States      | 3.9  | 3.6  | 6.7  |
| State of Florida   | 3.5  | 3.2  | 5.1  |
| Miami-Dade County  | 3.6  | 2.6  | 8.0  |

According to Moody's Analytics, the labor market in Miami-Dade County was severely impacted due to the COVID-19-related closings in 2020. The volume of job losses in the leisure/hospitality and retail industries combined remain farther from pre-pandemic levels than in all but four of 160 metro areas or divisions in the Southern U.S. The hospitality and tourism sectors were negatively affected due to a significant decrease in international visitors and a lack of business conventions and cruise travel. On March 14, 2020, the Centers for Disease Control and Prevention (CDC) issued a No Sail Order for cruise ships to stop the transmission and spread of COVID-19. The order was extended throughout 2020.

According to Dunn and Bradstreet, as of June 2020, there were 1,153,160 non-farm businesses in the MSA 33100, of which approximately 98.6 percent are considered small businesses. Major industries in Miami-Dade County include trade transportation, professional services, education, and health services. The five largest employers are Royal Caribbean Cruises (77,000), Sitel Group (60,400), Waitrose & Partners (52,590), Fresh Del Monte Produce (45,000), and Ryder System (36,100).

Competition for financial services within the AA is intense and includes several branches of nationwide and regional banks, local community banks, credit unions, mortgage companies, and other nonbank financial service providers. The Miami-Dade County AA is FNBSM's primary market with 100 percent of the Bank's deposits. As of June 30, 2020, the Federal Deposit Insurance Corporation (FDIC) reports that there are 111 banks in the AA operating 1,501 offices. The Bank is ranked 33rd with \$718.5 million in total deposits and a deposit market share of approximately 0.3 percent.

Investment opportunities are highly competitive with banks purchasing investments to support affordable housing for LMI individuals/geographies and small business lending. Many community banks tend to purchase mortgage backed securities with home mortgages to LMI people or loans in LMI geographies, affordable housing multifamily properties, or SBA loan pools in their AAs. CD lending opportunities to partner with nonprofit organizations in the AA are available that have a CD mission or purpose. The opportunity to make donations/grants to qualifying organizations that have missions that support the CRA CD purpose are available. There are numerous nonprofit organizations located in the AA that provide various services to LMI people or small businesses, such as affordable housing opportunities, financial literacy training, and support for economic development activities.



To assess community needs, we reviewed information from recent interviews with four community organizations providing services in the AA. The contacts indicated a lack of high paying jobs and affordable housing and noted loans to small business owners represent the largest credit needs in the AA. Low wages and high housing costs make it difficult for LMI individuals and families to qualify for a home mortgage loan or to support a monthly mortgage payment. The gentrification of LMI neighborhoods is pricing long-term residents out of the AA; specifically, in Coconut Grove, Little Haiti, Little Havana, and Overtown. There is a need for small business loans from local banks. LMI small business owners have difficulty obtaining financing due to having subprime credit scores or establishing newly formed small businesses. Also, LMI small businesses can be clustered in specific geographies of the AA. The majority (72.9 percent) of all non-farm businesses with revenues of \$1 million or less are concentrated in middle- and upper-income geographies in the AA.

### **Miami-Dade County AA**

**Table A – Demographic Information of the Assessment Area**

**Assessment Area: Miami-Ft. Lauderdale-West Palm Beach MSA (Partial)**

| <b>Demographic Characteristics</b>   | <b>#</b>  | <b>Low<br/>% of #</b> | <b>Moderate<br/>% of #</b>   | <b>Middle<br/>% of #</b> | <b>Upper<br/>% of #</b> | <b>NA*<br/>% of #</b> |
|--|-----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| Geographies (Census Tracts)  | 1,219     | 6.2                   | 28.2                         | 29.5                     | 33.6                    | 2.5                   |
| Population by Geography  | 5,861,000 | 5.8                   | 28.9                         | 31.5                     | 33.4                    | 0.4                   |
| Housing Units by Geography   | 2,484,604 | 5.5                   | 27.9                         | 30.9                     | 35.3                    | 0.3                   |
| Owner-Occupied Units by Geography  | 1,248,038 | 2.6                   | 23.2                         | 32.9                     | 41.2                    | 0.2                   |
| Occupied Rental Units by Geography   | 799,004   | 10.1                  | 36.4                         | 30.1                     | 22.9                    | 0.5                   |
| Vacant Units by Geography  | 437,562   | 5.6                   | 25.9                         | 26.7                     | 41.2                    | 0.6                   |
| Businesses by Geography  | 1,153,160 | 4.1                   | 21.8                         | 28.1                     | 44.7                    | 1.2                   |
| Farms by Geography   | 15,598    | 4.7                   | 24.5                         | 29.6                     | 40.8                    | 0.4                   |
| Family Distribution by Income Level  | 1,330,793 | 23.1                  | 17.0                         | 17.7                     | 42.2                    | 0.0                   |
| Household Distribution by Income Level   | 2,047,042 | 25.1                  | 15.7                         | 16.6                     | 42.6                    | 0.0                   |
| Median Family Income MSA –<br>33100 Miami-Ft Lauderdale-West Palm<br>Beach, FL   |           | \$64,664              | Median Housing Value         |                          |                         | \$227,861             |
|  |           |                       | Median Gross Rent            |                          |                         | \$1,194               |
|  |           |                       | Families Below Poverty Level |                          |                         | 16.3%                 |
| <i>Source: 2015 ACS and 2020 D&amp;B Data<br/>Due to rounding, totals may not equal 100.0<br/>(* The NA category consists of geographies that have not been assigned an income classification.</i> |           |                       |                              |                          |                         |                       |

### **Scope of Evaluation in the State of Florida**

As previously mentioned, the Bank has one AA that is MD 33124, which is also part of the MSA 33100. The AA received a full scope review. Small business lending is the Bank's primary lending product and was evaluated under the Lending Test. The geographic and borrower analyses are conducted at the MSA level rather than the MD level. Refer to the table in appendix A for a list of all AAs under review. Residential lending analysis would not yield a meaningful result since these loans are for residential

properties to small investors that are non-owner occupied. We also reviewed CD loans, qualified investments, and CD services during the evaluation period under the CD Test.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF FLORIDA**

### **LENDING TEST**

The Bank's performance under the Lending Test in the state of Florida is rated Satisfactory.

### **Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the Bank's performance in the state of Florida is reasonable.

### **Distribution of Loans by Income Level of the Geography**

The Bank exhibits reasonable geographic distribution of loans in the state of Florida.

#### ***Small Loans to Businesses***

Refer to Table Q in the state of Florida section of appendix D for the facts and data used to evaluate the geographic distribution of the Bank's originations of small loans to businesses.

The distribution of loans to small businesses in low-income geographies exhibit a very poor distribution. The Bank did not originate loans in low-income geographies. The demographic data reflects that only 4.1 percent of businesses located therein, indicating limited lending opportunities. Other factors include that none of the Bank's branches are located in or adjacent to LMI geographies and the significant level of competition within the AA. However, the distribution of loans to small businesses in moderate-income geographies exceed the percentage of businesses in those geographies and the aggregate lending distribution.

#### ***Lending Gap Analysis***

There were no unexplained conspicuous gaps in lending considering the aforementioned performance context.

### **Distribution of Loans by Income Level of the Borrower**

The Bank exhibits a reasonable distribution of loans to businesses of different sizes, given the product lines offered by the Bank.

#### ***Small Loans to Businesses***

Refer to Table R in the state of Florida section of appendix D for the facts and data used to evaluate the borrower distribution of the Bank's originations of small loans to businesses.

The distribution of loans to small businesses reflects reasonable distribution. The Bank's loan originations to small businesses with revenues less than \$1 million was lower than the percentage of small businesses in the AA but exceeded the aggregate business lending distribution.

### Responses to Complaints

The Bank did not receive any CRA-related complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The Bank's performance under the Community Development Test in the state of Florida is rated Outstanding.

### Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the Bank exhibits excellent responsiveness to CD needs in the state of Florida through CD loans, qualified investments, and CD services, as appropriate, considering the Bank's capacity and the need and availability of such opportunities for community development in the Bank's AA.

### Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the Bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

| <i>Community Development Loans</i>                 |       |              |           |               |
|--|-------|--------------|-----------|---------------|
| Assessment Area                                    | Total |              |           |               |
|  | #     | % of Total # | \$(000's) | % of Total \$ |
| MSA 33100<br>(partial)                             | 10    | 83.3         | 22,833    | 82.0          |
| Statewide/Regional<br>Loans with Direct<br>Benefit | 2     | 16.7         | 5,000     | 18.0          |

The level of community development loans exhibits excellent responsiveness. During the evaluation period, FNBSM originated 12 loans totaling \$27.8 million that represented 33.4 percent of tier 1 capital. The table above includes seven qualified loans totaling \$16.8 million originated under the PPP in response to the COVID-19 pandemic. These loans served to preserve jobs within the AA. The PPP loans are innovative, flexible loan products, given the current COVID-19 crisis. The chart also reflects three loans originated under the SBA 504 program totaling \$6.0 million. These loans help support job creation for small businesses located in moderate-income geographies in the AA. Two statewide loans totaling \$5.0 million were originated to an emergency management company located in the AA. The

funds provided disaster recovery services to the state of Florida due to Hurricane Irma and to distribute personal protective equipment throughout all 67 Florida counties due to the COVID-19 pandemic.

### Number and Amount of Qualified Investments

| Qualified Investments |               |           |                |           |       |              |           |               |                        |           |
|-----------------------|---------------|-----------|----------------|-----------|-------|--------------|-----------|---------------|------------------------|-----------|
| Assessment Area       | Prior Period* |           | Current Period |           | Total |              |           |               | Unfunded Commitments** |           |
|                       | #             | \$(000's) | #              | \$(000's) | #     | % of Total # | \$(000's) | % of Total \$ | #                      | \$(000's) |
| MSA 33100 (partial)   | 8             | 3,453     | 32             | 12,224    | 40    | 100.0        | 15,677    | 100.0         | 0                      | 0         |

\* Prior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, sets forth the information and data used to evaluate the Bank's level of qualified CD investments. The table includes all CD investment, including prior period investments that remain outstanding as of the examination date.

The level of qualified investments exhibits excellent responsiveness. During the evaluation period, FNBSM made 32 qualified investments and donations totaling \$12.2 million that represented 19.4 percent of tier 1 capital. The table above includes three Fannie Mae mortgage-backed securities (MBS) totaling \$8.7 million. These investments provide affordable rental housing to LMI residents in the AA. The prior period investments represent government sponsored MBS secured by home mortgages made to LMI borrowers in the AA.

Donations made by the Bank during the evaluation period were significant and totaled \$1.0 million to 15 organizations that serve LMI individuals. These donations helped support local nonprofit organizations that provide financial assistance to LMI students, free health services to LMI individuals, and meals to individuals experiencing homelessness. These organizations include Step Up for Children, which is a state-approved nonprofit scholarship funding organization that provides tuition assistance to low-income families.

### Extent to Which the Bank Provides Community Development Services

The Bank provided an excellent level of community development services during the evaluation period. FNBSM officers and employees performed approximately 2,275 community development service hours to qualifying organizations in the AA, frequently in positions of leadership. They shared their financial expertise by serving as board members to organizations that help provide economic development opportunities to LMI small business owners and community services to LMI individuals and families. Noteworthy examples include offering a summer internship program in partnership with the Center for Financial Training International (CFTI). The organization provides opportunities to explore careers in the banking industry for LMI high school students in the AA.

FNBSM provides services that are considered responsive to LMI individuals and small businesses, although there are no offices located in or adjacent to LMI geographies. In response to the COVID-19 pandemic, the Bank offered loan forbearance to customers negatively impacted by the resulting

challenging economic conditions. This demonstrated flexibility in working with LMI small businesses affected by sudden and unprecedented changes in income.

## Appendix A: Scope of Examination

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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 MSA(s) and non-MSA(s) 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”.

|   |  |                          |
|---|--|--------------------------|
| <b>Time Period Reviewed:</b>                                    | 01/01/2018 to 12/31/2020   |                          |
| <b>Bank Products Reviewed:</b>                                  | Small business loans<br>Community development loans, qualified investments, community development services |                          |
| <b>Affiliate(s)</b>   | <b>Affiliate Relationship</b>  | <b>Products Reviewed</b> |
| None  | Not Applicable   | Not Applicable           |
| <b>List of Assessment Areas and Type of Examination</b>         |  |                          |
| <b>Rating and Assessment Areas</b>                              | <b>Type of Exam</b>  | <b>Other Information</b> |
| <b>State of Florida</b>   |  |                          |
| MSA 33100 Miami-Ft Lauderdale-<br>West Palm Beach, FL (Partial) | Full Scope   | Miami-Dade County        |

## Appendix B: Summary of MMSA and State Ratings

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| RATINGS                                |                      | The First National Bank of South Miami |                                      |
|--|----------------------|--|--------------------------------------|
| Overall Bank:                          | Lending Test Rating* | CD Test Rating                         | Overall Bank/State/Multistate Rating |
| The First National Bank of South Miami | Satisfactory         | Outstanding                            | Satisfactory                         |
| MMSA or State:                         |                      |  |                                      |
| State of Florida                       | Satisfactory         | Outstanding                            | Satisfactory                         |
|  |                      |  |                                      |
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|  |                      |  |                                      |

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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

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

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances. Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

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

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



**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

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

**Geography:** A census tract 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

**Limited-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, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

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

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

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

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

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

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

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

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “Bank” include activities of any affiliates that the Bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

| <b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b> |                                 |              |              |                   |              |            |                        |              |             |                      |              |             |                     |              |             |                              | <b>2018 - 2020</b> |            |  |
|---|---------------------------------|--------------|--------------|-------------------|--------------|------------|------------------------|--------------|-------------|----------------------|--------------|-------------|---------------------|--------------|-------------|------------------------------|--------------------|------------|--|
| Assessment Area:  | Total Loans to Small Businesses |              |              | Low-Income Tracts |              |            | Moderate-Income Tracts |              |             | Middle-Income Tracts |              |             | Upper-Income Tracts |              |             | Not Available- Income Tracts |                    |            |  |
|   | #                               | \$           | % of Total   | % Businesses      | % Bank Loans | Aggregate  | % Businesses           | % Bank Loans | Aggregate   | % Businesses         | % Bank Loans | Aggregate   | % Businesses        | % Bank Loans | Aggregate   | % Businesses                 | % Bank Loans       | Aggregate  |  |
| MSA 33100 Miami-Ft. Lauderdale-West Palm Beach, FL (Partial)  | 20                              | 5,755        | 100.0        | 4.1               | 0.0          | 4.5        | 21.8                   | 45.0         | 22.2        | 28.1                 | 15.0         | 27.2        | 44.7                | 40.0         | 44.9        | 1.2                          | 0.0                | 1.2        |  |
| <b>Total</b>  | <b>20</b>                       | <b>5,755</b> | <b>100.0</b> | <b>4.1</b>        | <b>0.0</b>   | <b>4.5</b> | <b>21.8</b>            | <b>45.0</b>  | <b>22.2</b> | <b>28.1</b>          | <b>15.0</b>  | <b>27.2</b> | <b>44.7</b>         | <b>40.0</b>  | <b>44.9</b> | <b>1.2</b>                   | <b>0.0</b>         | <b>1.2</b> |  |

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

| <b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b> |                                 |              |              |                |                                 |              |             |                                |              |  |              | <b>2018 - 2020</b> |  |
|--|---------------------------------|--------------|--------------|----------------|---------------------------------|--------------|-------------|--------------------------------|--------------|--|--------------|--------------------|--|
| Assessment Area:   | Total Loans to Small Businesses |              |              |                | Businesses with Revenues <= 1MM |              |             | Businesses with Revenues > 1MM |              | Businesses with Revenues Not Available |              |                    |  |
|  | #                               | \$           | % of Total   | Overall Market | % Businesses                    | % Bank Loans | Aggregate   | % Businesses                   | % Bank Loans | % Businesses                           | % Bank Loans |                    |  |
| MSA 33100 Miami-Ft. Lauderdale-West Palm Beach, FL (Partial)                                       | 20                              | 5,755        | 100.0        | 281,179        | 93.0                            | 65.0         | 48.2        | 2.7                            | 35.0         | 4.3                                    | 0.0          |                    |  |
| <b>Total</b>   | <b>20</b>                       | <b>5,755</b> | <b>100.0</b> | <b>281,179</b> | <b>93.0</b>                     | <b>65.0</b>  | <b>48.2</b> | <b>2.7</b>                     | <b>35.0</b>  | <b>4.3</b>                             | <b>0.0</b>   |                    |  |

Source: 2020 D&B Data; 01/01/2018 - 12/31/2010 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0