



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 28, 2005**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Security Bank National Association  
Charter Number 16870**

**1450 South State Road 7  
North Lauderdale, FL 33068**

**Comptroller of the Currency  
South Florida (Miami)  
9800 Northwest 41st Street Suite 120  
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 Satisfactory.**

We evaluated Security Bank, N. A.'s ("Security Bank") CRA performance using the small bank performance criteria. Our evaluation period covered the period September 15, 1999, the date of the last CRA examination, to May 31, 2005, although we focused on lending activity from January 1, 2003 through May 31, 2005.

The primary reasons supporting this rating are:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance.
- Lending in the bank's assessment area meets the standard for satisfactory performance.
- The borrower distribution of loans meets the standard for satisfactory performance.
- The geographic distribution of loans meets the standard for satisfactory performance.

## **DESCRIPTION OF INSTITUTION**

Security Bank is an intrastate community bank headquartered in North Lauderdale, Florida. The bank is not part of a holding company. Security Bank's wholly owned subsidiary, SecurityBanc Mortgage Company is not active. The bank operates six banking offices. In addition to the main office located in North Lauderdale, the bank operates three branch offices in Broward County (Fort Lauderdale, Sunrise, and Davie), one in Miami-Dade County (Miami), and one in Palm Beach County (Lake Worth). Since the last examination, the bank opened (December 1999) and sold (August 2004) a branch office in Jupiter (Palm Beach County), closed (August 2003) a branch office in Boynton Beach (Palm Beach County), and moved the branch office in Miami. According to 2000 Census designations, five of the bank's offices are located in middle-income geographies and one (Sunrise) is located in an upper-income geography.

The bank offers a variety of deposit and loan products for individuals and businesses, as described in the CRA Public File. The bank's primary business focus is small business lending and at this examination performance relative to small business lending received the greatest consideration in reaching conclusions. The bank also originates some residential mortgage loans. In 2004, the bank purchased a group of 86 residential mortgage loans totaling approximately \$15 million as part of its efforts to expand the overall loan portfolio, resulting in a temporary increase in home mortgage lending reportable under the Home Mortgage Disclosure Act ("HMDA"). As of March 31, 2005 the bank had total assets of \$101 million. Total loans, which represent 79% of total assets, equaled \$80 million and consisted of 51% residential real estate (including multi-family dwellings) loans, 29% commercial real estate loans, 6% construction loans, 5% commercial and industrial loans, and 9% consumer and other loans. Total deposits as of March 31, 2005 were \$89 million and Tier 1 capital equaled \$8.8 million.

There are no legal, financial, or other factors to impede the bank's ability to meet the credit needs in its assessment area. At its last CRA examination, dated September 15, 1999, the bank was rated satisfactory.

## **DESCRIPTION OF THE ASSESSMENT AREA**

Security Bank's assessment area consists of MSA 33100 (Miami-Ft. Lauderdale-Palm Beach, FL), as designated by the Office of Management and Budget ("OMB") effective January 1, 2004. The assessment area includes all of Broward County (Metropolitan Division 22744), Palm Beach County (Metropolitan Division 48424), and Miami-Dade County (Metropolitan Division 33124). For analytical purposes, the MSA 33100 assessment area was divided into its three component Metropolitan Divisions ("MD"). Conclusions are based primarily on performance in the Broward MD, since that is the largest source of the bank's deposits (75%) and loans (52%) evaluated at this examination. The Palm Beach MD represents approximately 6% of the bank's total deposits and 16% of loans while the Miami-Dade MD represents 19% of deposits and 32% of loans.

The assessment area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

### **Broward (MD 22744)**

Based on the 2000 Census, the assessment area consists of 279 geographies (census tracts) of which 5% are low-income, 25% are moderate-income, 42% are middle-income, and 28% are upper-income. According to the 2000 Census, the total population is approximately 1.6 million, a 29% increase since the 1990 Census. Overall, about 11% of households are below the poverty level, with the greatest concentration of such households in the low-income geographies, where 36% of households are below the poverty level. The need for affordable housing in the assessment area is considered critical by community organizations, including a municipal agency contacted as part of this examination.

Housing costs in the Broward MD are high and continually growing. In February 2005, the Florida Association of Realtors estimated the median sales price of an existing single-family home in the Broward MD to be approximately \$319,400. When compared with a HUD Adjusted Median Family Income of \$50,570 for 2004 it is clear that the unsubsidized purchase of an average single-family residence would be beyond the financial means of many who are considered as low- or moderate-income.

The economy of the area is strong and approximately 160,000 businesses are located in the Broward MD. Major industries include real estate development, tourism, and other segments of the service industry. Banking competition within the assessment area is also strong. In addition to community and mid-size banks, branches of the largest banks in the country, and their mortgage affiliates, operate in the Broward MD. As of June 30, 2004, FDIC data showed 54 institutions operating 426 banking offices in the Broward MD.

## **Miami-Dade (MD 33124)**

The Miami-Dade MD consists of 347 geographies distributed as follows: 8% low-income, 29% moderate-income, 33% middle-income, and 30% upper-income. The majority of the low- and moderate-income geographies are located within the City of Miami. According to the 2000 Census, the total population of the MD is approximately 2.3 million. Between the 1990 and 2000 Census, the population increased 16.3%. The increase is a result of an influx of immigrants from Latin America and the Caribbean, as well as relocation from northern cities in the United States.

The increase in population has put pressure on the housing market. In the Miami-Dade MD overall, housing costs are high. As of February 2005, the Florida Association of Realtors estimated the median sales price of an existing single-family home in the Miami-Dade MD to be \$310,000. When compared with a HUD Adjusted Median Family Income of \$45,700 for 2004, it is clear that some form of assistance is necessary for low- and moderate-income families to purchase a home. In addition, the poverty level in the Miami assessment area is 32%, further emphasizing the difficulty in purchasing a home. Affordable housing is known to be a critical need in the assessment area.

As in other parts of South Florida, the economy is strong. Major industries include real estate development, trade businesses with Latin America, and tourism. Approximately 209,000 businesses are located in the Miami MD. The banking industry is very competitive. FDIC data as of June 30, 2004 showed 78 institutions operating 572 banking offices of national, regional, and community banks in all of the Miami MD.

## **Palm Beach (MD 48424)**

Security Bank's Palm Beach MD assessment area is comprised of 265 geographies. Of those geographies, 6% are low-income, 26% are moderate-income, and 34% middle-income, and 34% are upper-income. Based on the 2000 Census, the total population of the MD is 1.1 million, a 31% increase since the 1990 Census.

As in the other assessment areas, housing costs are high. According to the Florida Association of Realtors, the median price of an existing single-family home in February 2005 was \$353,900.

When compared with a HUD Adjusted Median Family Income of \$61,100 in 2004, it makes home ownership very difficult for low- and moderate-income families, and makes affordable housing a priority for community development organizations.

The economy is similar to the other assessment areas, focusing on real estate development, service businesses, and tourism. Banking competition is also similar. As of June 30, 2004 FDIC data showed 62 institutions operating 448 banking offices in Palm Beach County.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Security Bank's loan-to-deposit ratio meets the standard for satisfactory performance.

The bank's quarterly average loan-to-deposit ratio since the last CRA examination is 72%. This ratio is lower, but generally consistent with, the 79% average quarterly loan-to-deposit ratio at the last CRA examination, the 85% average quarterly loan-to-deposit ratio of four similarly situated banks, and the 78% average quarterly loan-to-deposit ratio for a national peer group of similarly sized banks.

Consideration was given to the fact that the bank's loan-to-deposit ratio exhibited an upward trend during the later part of the evaluation period, as the bank put increased emphasis on loan production. The average quarterly loan-to-deposit ratio for the most recent five quarters of the evaluation period is 89%. For the preceding 17 quarters of the evaluation period, the bank's average quarterly loan-to-deposit ratio was 67%.

### Lending in Assessment Area

Security Bank's level of lending inside its assessment area meets the standard for satisfactory performance.

A majority of the bank's loans, by both number and dollar, were originated inside the bank's assessment area. Overall, 87% by number and dollar of loans were originated in Security Bank's assessment area. The level of inside assessment area lending for both small business and HMDA loans is reasonable. The outside assessment area HMDA loans are associated with the bank's loan purchase in 2004 (see "Description of Institution").

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	95	90	11	10	106	21,149	86	3,570	14	24,719
HMDA Loans	143	85	26	15	169	30,654	87	4,392	13	35,046
Total Loans	238	87	37	13	275	51,803	87	7,962	13	59,765

Source: HMDA reportable loans (2003, 2004, through May 30, 2005). Small business loans (January 1, 2003-May 30, 2005) Dollars in thousands.

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

Overall, and in each of the MD portions of the bank's assessment area, Security Bank's lending to borrowers of different incomes and businesses of different sizes meets the standard of satisfactory performance. This conclusion is based on the bank's performance relative to small business lending. A meaningful analysis of mortgage loans to borrowers of different income levels could not be conducted because income information was not available for a significant number of HMDA mortgage loans.

### Small Loans to Businesses

Overall, the bank's level of lending to businesses of different sizes is reasonable and meets the standard for satisfactory performance, based on an analysis of the size of the bank's loans. Revenue information was not available for a sufficient number of loans in order to adequately analyze lending to businesses of different sizes. Therefore, the analysis was conducted on the basis of the dollar size of the small loans to businesses.

In the Broward MD, the level of lending to businesses of different sizes is reasonable and meets the standard for satisfactory performance. As shown in Table 2A, the majority (75%) of small loans to businesses were for amounts of \$250,000 or less, amounts that would typically meet the credit needs of small businesses (gross annual revenues of \$1 million or less). The remaining 25% of loans were for amounts ranging from \$250,001 to \$1 million. Because of the small dollar amount of the individual loans, the loans for amounts of \$250,000 or less represent only 33% of the dollar volume of small loans to businesses.

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	27	45%	\$1,170	9%
\$100,001 - \$250,000	18	30%	\$3,055	24%
\$250,001 - \$500,000	7	12%	\$2,685	21%
\$500,001 - \$1,000,000	8	13%	\$5,931	46%
Totals	60	100%	\$12,841	100%

*Source: Small business loans (60) originated January 1, 2003-May 31,2005. Dollars in thousands.*

In the Palm Beach MD, the level of lending to businesses of different sizes is reasonable and meets the standard for satisfactory performance. Table 2B shows that 50% of small loans to businesses were for amounts of \$250,000 or less, amounts that would typically meet the credit needs of small businesses (gross annual revenues of \$1 million or less). The remaining 50% of loans were for amounts ranging from \$250,001 to \$1 million. Because of the small dollar amount of the individual loans, the loans for amounts of \$250,000 or less represent only 25% of the total dollar volume of small loans to businesses.

<b>Table 2 B- Borrower Distribution of Loans to Businesses by Loan Size in Palm Beach MD</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	4	18%	\$162	3%
\$100,001 - \$250,000	7	32%	\$1,254	22%
\$250,001 - \$500,000	9	41%	\$2,897	50%
\$500,001 - \$1,000,000	2	9%	\$1,450	25%
Totals	22	100%	\$5,763	100%

*Source: Small business loans (22) originated January 1, 2003-May 31 2005. Dollars in thousands.*

In the Miami-Dade MD, the level of lending to businesses of different sizes is reasonable and meets the standard for satisfactory performance. The information in Table 2C shows that 69% of small loans to businesses were for amounts of \$250,000 or less, amounts that would typically meet the credit needs of small businesses (gross annual revenues of \$1 million or less). The remaining 31% of loans were for amounts ranging from \$250,001 to \$1 million. Because of the small dollar amount of the individual loans, the loans for amounts of \$250,000 or less represent only 22% of the total dollar volume of small loans to businesses.

<b>Table 2 C- Borrower Distribution of Loans to Businesses by Loan Size in Miami-Dade MD</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	7	54%	\$236	9%
\$100,001 - \$250,000	2	15%	\$329	13%
\$250,001 - \$500,000	2	15%	\$781	31%
\$500,001 - \$1,000,000	2	15%	\$1,200	47%
Totals	13	100%	\$2546	100%

*Source: Small business loans (13) January 1, 2003-May 31,2005. Dollars shown in thousands.*

### Home Mortgage Loans

A meaningful analysis of home mortgage loans could not be conducted because income information was not reported for most of the bank's HMDA reportable loans. For the majority of Security Bank's HMDA loans, the loans were either purchased (see "Description of Institution"), the bank did not take the applicant's income into consideration when making the loan, or the loans were to a business entity. HMDA rules stipulate that a bank should not report the income of a borrower in these instances.

In the Broward MD, the percentage of the bank's home purchase and refinance lending was lower than the percentage of low- and moderate-income borrowers in the assessment area. However, meaningful conclusions cannot be drawn from that information since income information was not available for 63% of home purchase loans and 75% of refinance loans.

<b>Table 3 A – Borrower Distribution of Residential Real Estate Loans in the Broward MD</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.85	7.70	18.17	3.85	20.48	1.92	40.50	23.08
Refinance	20.85	12.50	18.17	0.00	20.48	0.00	40.50	12.50

*No income information was available for 63% of home purchase loans and 75% of refinance loans.  
Source: HMDA Loans (January 1, 2003-May 31, 2005); 2000 U.S. Census data.*

In the Palm Beach MD, the bank did not originate any home mortgage purchase or refinance loans to low-or moderate-income borrowers. However, meaningful conclusions cannot be drawn from that information because income information was only available for 45% of home purchase loans and no income information was available for any of the refinance loans.

<b>Table 3 B – Borrower Distribution of Residential Real Estate Loans in the Palm Beach MD</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.86	0.00	18.56	0.00	20.60	0.00	40.98	45.00
Refinance	19.86	0.00	18.56	0.00	20.60	0.00	40.98	0.00

*No information was available for 55% of the home purchase loans and 100% of refinance loans.  
Source: HMDA Loans (January 1, 2003-May 31, 2005); 2000 U.S. Census data.*

In the Miami-Dade MD, the bank did not originate any home purchase loans to low- and moderate-income borrowers. No refinance loans were originated to low-income borrowers and the percentage of refinance loans to moderate-income borrowers was lower than the percentage of moderate-income borrowers in the assessment area. However, meaningful conclusions cannot be drawn from that information since income information was not available for 80% of home purchase loans and 89% of refinance loans.

<b>Table 3 C – Borrower Distribution of Residential Real Estate Loans in the Miami-Dade MD</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.00	0.00	16.98	0.00	18.53	0.00	41.50	20.00
Refinance	23.00	0.00	16.98	11.00	18.53	0.00	41.50	0.00

*No information was available for 80% of home purchase loans and 89% of refinance loans.  
Source: HMDA Loans (January 1, 2003-May 31, 2005); 2000 U.S. Census data.*

## **Geographic Distribution of Loans**



Overall, Security Bank’s geographic distribution of loans meets the standard for satisfactory performance. Overall, the geographic distribution of both small loans to businesses and HMDA loans is reasonable and meets the standard for satisfactory performance. The geographic distribution of loans meets the standard for satisfactory performance in the Broward and Palm Beach MDs, and exceeds the standard for satisfactory in the Miami-Dade MD.

Small Loans to Businesses

The geographic distribution of small loans to businesses is reasonable and meets the standard for satisfactory performance in the Broward MD. In low-income geographies, the percentage of the bank’s loans is lower than the level of small businesses operating in low-income geographies. In moderate-income geographies, the level of the bank’s loans meets the level of small businesses operating in moderate-income geographies.

<b>Table 4A - Geographic Distribution of Loans to Businesses in the Broward MD</b>								
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
Small Business	5.05	1.67	23.05	23.33	44.09	46.67	27.81	28.33

*Source: Small Business Loans (January 1, 2003-May 31, 2005); D & B data.*

In the Palm Beach MD, the geographic distribution of small loans to businesses is reasonable and meets the standard for satisfactory performance. In low-income geographies, the percentage of the bank’s loans exceeds the level of small businesses operating in low-income geographies. In moderate-income geographies, the percentage of the bank’s loans is near to the percentage of small businesses operating in moderate-income geographies.

<b>Table 4B - Geographic Distribution of Loans to Businesses in the Palm Beach MD</b>								
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
Small Business	3.91	4.55	23.48	22.73	33.84	40.91	38.63	31.81

*Source: Small Business Loans (January 1, 2003-May 31, 2005); D & B data.*

In the Miami-Dade MD, the geographic distribution of the bank’s small loans to businesses is more than reasonable and exceeds the standard for satisfactory performance. In both low- and moderate-income geographies, the percentage of the bank’s loans exceeds the percentage of small businesses.

<b>Table 4C - Geographic Distribution of Loans to Businesses in the Miami-Dade MD</b>								
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
Small Business	5.27	7.69	22.49	23.08	32.39	23.08	39.42	46.15

Source: Small Business Loans (January 1, 2003-May 31, 2005); D & B data.

### Home Mortgage Loans

In the Broward MD, the geographic distribution of home mortgage loans is more than reasonable and exceeds the standard for satisfactory performance, based on the distribution of home purchase loans, which make-up the majority (83%) of home mortgage loans analyzed. In low-income geographies, the percentage of the bank's home purchase loans exceeds the percentage of owner-occupied housing units in low-income geographies. In moderate-income geographies, the percentage of the bank's home purchase loans significantly exceeds the percentage of owner-occupied housing units in moderate-income geographies.

A meaningful analysis of the geographic distribution of refinance loans could not be conducted. In total, 11 refinance loans were reported for the Broward MD. Of those loans, only two had the geographic location of the loan reported. The remaining loans were purchased loans for which the geographic location does not have to be reported under the HMDA.

<b>Table 5 A - Geographic Distribution of Residential Real Estate Loans in Broward MD</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans
Home Purchase	1.16	3.85	23.67	46.15	45.93	30.77	29.24	19.23
Refinance	1.16	9.09	23.67	0.00	45.93	0.00	29.24	9.09

Information not available for 82% of refinance loans.

Source: HMDA reported loans 2003, 2004, May 31, 2005; 2000 U.S. Census data.

In the Palm Beach MD, the geographic distribution of home mortgage loans is reasonable and meets the standard for satisfactory performance, based on the distribution of home purchase loans, which make-up the majority (69%) of home mortgage loans analyzed. In low-income geographies, the percentage of the bank's home purchase loans exceeds the percentage of owner-occupied housing units in low-income geographies. In moderate-income geographies, the percentage of the bank's home purchase loans is lower than the percentage of owner-occupied housing units in moderate-income geographies.

A meaningful analysis of the geographic distribution of refinance loans could not be conducted. In total, there were only five refinance loans in the Palm Beach MD. Of those loans, none were in low- or moderate-income geographies.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans
Home Purchase	1.53	9.09	24.63	18.18	36.35	27.27	37.50	45.45
Refinance	1.53	0.00	24.63	0.00	36.35	40.00	37.50	60.00

In the Miami-Dade MD, the geographic distribution of home mortgage loans is reasonable and meets the standard for satisfactory performance, based on the distribution of home purchase loans, which make-up the majority (86%) of home mortgage loans analyzed. In low-income geographies, the percentage of the bank's home purchase loans exceeds the percentage of owner-occupied housing units in low-income geographies. In moderate-income geographies, the percentage of the bank's home purchase loans is lower than the percentage of owner-occupied housing units in moderate-income geographies.

The geographic distribution of refinance loans is not reasonable and does not meet the standard for satisfactory performance. No refinance loans were reported in low-income geographies. The percentage of the bank's refinance loans in moderate-income geographies was lower than the percentage of owner-occupied housing units in moderate-income geographies.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans	% of AA Owner-Occupied Housing Units	% of Number of Loans
Home Purchase	1.69	5.45	19.82	12.73	36.99	27.27	41.51	54.55
Refinance	1.69	0.00	19.82	11.11	36.99	11.11	41.51	77.78

*Source: HMDA reported loans 2003, 2004, April 30, 2005; 2000 U.S. Census data.*

## Responses to Complaints

In the period since the last examination, the bank has not received any complaints regarding its CRA performance.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.