

South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
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PUBLIC DISCLOSURE

March 23, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NatBank, N.A.
Charter Number 23523**

**4031 Oakwood Boulevard
Hollywood, Florida 33020**

Office of the Comptroller of the Currency

**South Florida Field Office
5757 Blue Lagoon Drive, Suite 200
Miami, Florida 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 **Natbank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 23, 2000**. 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"**

We evaluated Natbank N.A.'s (Natbank's) CRA performance using the small bank performance criteria. Our evaluation covered the period from January 1998 through January 2000. **Our performance evaluation finds that Natbank's performance is "Satisfactory"**. The primary reasons for this rating are:

- o The bank's average loan to deposit ratio since the last CRA examination was reasonable.
- o A majority of the bank's loans were originated inside the assessment area.
- o The distribution of loans to businesses of different sizes was reasonable. Residential loans made reflected reasonable penetration among individuals of different incomes, including low- and moderate-income individuals.
- o Residential and small business loans originated in the assessment areas reflected reasonable dispersion among census tracts of different income levels, including low- and moderate-income census tracts.

DESCRIPTION OF INSTITUTION

Natbank is a community bank headquartered in the city of Hollywood in Broward County. The bank's second branch location is in Pompano Beach in Broward County. The main office is located in an lower income census tract while the Pompano Beach branch is located in an upper income census tract.

Natbank is wholly owned by National Bank of Canada. The holding company is located in Montreal, Quebec, Canada. On January 31, 2000, National Bank of Canada assets totaled \$73 billion (Canadian dollars). Banking offices offer most traditional banking services and are accessible to many neighborhoods of the assessment area. Natbank is primarily a residential mortgage lender, but the bank also originated a significant volume of business loans during the evaluation period.

As of December 31, 2000, Natbank had total assets of \$62 million. Loans totaled \$41 million and deposits were \$49 million. The percentage of net loans to total assets was 66%. Capital was 20.6% of total assets. Natbank's major product lines are residential mortgage loans (mostly home purchase and refinance) and loans to small businesses. The loan portfolio was comprised of 74% residential real estate, 14% commercial, 6% multifamily, and 6% loans to individuals. The bank was profitable in 1998 and 1999. No legal or other factors impede the bank's ability to meet the credit needs in its assessment areas. Natbank's last CRA performance evaluation was performed by the Office of Thrift Supervision in December 1995 and resulted in a rating of "Satisfactory." In January 1998, Natbank changed its charter from a savings and loan institution to a national bank. We evaluated the bank's performance under the Community Reinvestment Act since the bank came under the supervision of the Office of the Comptroller of the Currency. Therefore, we focused on lending activities in 1998 and 1999.

DESCRIPTION OF THE ASSESSMENT AREA

Natbank's assessment area is Broward County. Broward County is a Metropolitan Statistical Areas (MSA). Bank management expanded the assessment area during the exam to include all of Broward County. This was done so that a substantial portion of the bank's lending would be included in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Broward County MSA

According to the 1990 U.S. Census, the Broward County MSA area consists of 164 census tracts which are distributed as follows: 9 low-income, 32 moderate-income, 77 middle income, and 42 upper income census tracts. Four census tracts are uninhabited. The percentage of census tracts in each income category are: 5% low income, 20% moderate income, 47% middle income, 26% upper income, and 2% uninhabited.

Note: A low income census tract has a median family income of less than 50% of the MSA median family income, a moderate income tract has 50% to 80%, a middle income tract has 80% to 120%, and an upper income census tract has 120% or more of the MSA median family income.

The 1999 updated median family income of the Broward County MSA is \$53,200. Twenty percent of the families in the MSA are considered low income, 18% moderate income, 22% middle income, and 40% upper income.

The Broward County MSA had a 1990 population of 1.3 million. There has been significant population growth since the 1990 census. Broward County has a large retiree population with about 21% of the people over 65 years of age. Some of the major industries include tourism, real estate development, health care, and retail services.

Broward County's economy is strong and competition from other financial institutions is strong. The competition includes community banks, affiliates of regional and multinational banks, community banks, mortgage companies, and credit unions.

Assessment Area Credit Needs

During 1999 and 2000, OCC and Federal Reserve examiners contacted two community organizations that operate in Natbank's assessment area to identify local credit needs. One of those contacts occurred during this review when an OCC examiner contacted the City of Pompano Beach - Community Redevelopment Agency. These contacts revealed that loans are needed to purchase or rehabilitate affordable single family homes and to finance small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

Conclusion: We rate this performance category as satisfactory. Natbank's average loan to deposit ratio since the last CRA examination is reasonable.

Support of Conclusion:

Natbank's quarterly average loan to deposit ratio from March 31, 1998 through December 31, 1999 was 80%. This ratio is higher than the average ratio of 73% of five similarly situated banks in the assessment area. These five community banks are similar in asset size (all less than \$90

million in total assets) and have main offices and branches in Broward County. The range of loan to deposit ratios for the five banks were from 60% to 87%.

LENDING IN THE ASSESSMENT AREAS

Conclusion: We rate this performance category as satisfactory. A majority of the loans made in 1998 and 1999 were inside of the assessment area. Natbank's primary loan types are residential mortgage and business loans.

Support of Conclusion:

Residential Mortgage Loans - 1998 and 1999

INSIDE Assessment Areas		NUMBER OF LOANS		OUTSIDE Assessment Areas	
140	or	74%	50	or	26%
INSIDE Assessment Areas		AMOUNT OF LOANS		OUTSIDE Assessment Areas	
\$11,863,000	or	56%	\$ 9,321,000	or	44%

Business Loans (Sample of 20) - 1998, 1999, and Through January 2000

INSIDE Assessment Areas		NUMBER OF LOANS		OUTSIDE Assessment Areas	
15	or	75%	5	or	25%
INSIDE Assessment Areas		AMOUNT OF LOANS		OUTSIDE Assessment Areas	
\$12,779,000	or	79%	\$ 3,410,000	or	21%

**LENDING TO BORROWERS OF DIFFERENT INCOMES
AND TO BUSINESSES OF DIFFERENT SIZES**

Conclusion: We rate this performance category as satisfactory. Lending to borrowers of different incomes and to businesses of different sizes is reasonable. We reviewed the distribution of the bank's primary product lines (residential mortgage loans and small business loans).

Support of Conclusion:

Residential Mortgage Loans

Residential mortgage loans are the largest volume type of loan originated by Natbank. The following table shows the distribution of residential mortgage loans based on borrower income. The table shows distribution of loans in the Broward County assessment area. Natbank made a total of 139 home loans (with income information available) in Broward County in 1998 and 1999 for a total of \$11,970,000.

**Distribution of Residential Mortgage Loans In Assessment Area
Based on Borrower Income
1998 and 1999**

Income Levels	Distribution of 1-4 Family Residential Mortgage Loans # of Loans as % of Total	Distribution of 1-4 Family Residential Mortgage Loans \$ of Loans as % of Total	% of Families in these Income Levels in the Assessment Area
Low Income	5%	3%	20%
Moderate Income	22%	10%	18%
Middle Income	23%	15%	22%
Upper Income	50%	72%	40%
TOTAL	100%	100%	100%

The distribution of residential loans to borrowers of different incomes reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. These loans helped meet affordable housing credit needs in the community.

The following table summarizes the distribution of all business loans made by Natbank in 1998, 1999, and through January 2000. The last column shows the percent of businesses in the assessment area that are small (annual gross revenues under \$1 million):

**Distribution of Business Loan Originations in Assessment Area
During 1998, 1999, and Through January 2000**

LOAN TYPE	# Loans	% of Total	\$ (000s)	% of Total	% of Small Businesses
Small Business(a)	50	83%	6,657	84%	89%
Large Business	10	17%	1,254	16%	11%
TOTAL	60	100%	7,911	100%	100%

(a) Loans to businesses with gross annual revenues less than \$1 million.

Business Loans

Business loans were the next largest volume type of loan originated by Natbank in its assessment area during the evaluation period. Business credits include commercial and industrial and commercial real estate loans.

In 1998, 1999, and through January 2000, Natbank originated 50 small business loans for \$6,657,000. Small business loans represented 83% by number and 84% by dollar volume of all business loans made. In Broward County, 89% of all businesses are small businesses. Natbank's origination of these credits helps address identified community credit needs for small business loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

Conclusion: We rate this performance category as satisfactory. The loans originated in the assessment area reflect reasonable dispersion among census tracts of different income levels.

Census tracts in the assessment area without loan penetration are due to Natbank's relatively small asset size (\$62 million total assets, two locations) and large assessment area (Broward County). These limitations prevent Natbank from penetrating all areas in the Broward County. For example, Natbank made a total of 139 home loans and 60 business loans in Broward County during the evaluation period, however, there are 164 census tracts in the County.

Support of Conclusion:

Residential Mortgage Loans

The following table shows the geographic distribution of the 139 residential mortgage loans (with census tract information available) for a total of \$11,875,000 originated in the Broward County assessment area. This table shows that no residential loans were made in low income census tracts, however, only 1% of owner-occupied housing in the assessment area is located in low income tracts. A significant volume of Natbank's loans were made in moderate income census tracts relative to the percentage of owner-occupied housing in those tracts.

Distribution of Home Loan Originations/Purchases in 1998 + through August, 1999 Compared to Distribution of Census Tracts in the Broward County Assessment Area

Income Level Of Census Tract	Distribution of Bank Loans in the Census Tract (Number of Loans)	Distribution of Bank Loans in the Census Tract (Amount of Loans)	Distribution of Owner-Occupied Housing in the Assessment Area
Low	0%	0%	1%
Moderate	23%	10%	14%
Middle	47%	45%	59%
Upper	30%	45%	26%
Total	100%	100%	100%

Business Loans

The following table shows the geographic distribution of a sample of 21 business loans totaling \$5,835,000 made in the Broward County assessment area during the evaluation period. The table shows that a significant percentage of loans were originated in low- and moderate-income census tracts of the assessment area relative to the percentage of businesses in each tract income category in the assessment area. Note: this table groups low- and moderate- income census tracts together and middle- and upper-census tracts together because business distribution data was not available separately for all tract income categories (low, moderate, middle, upper).

**Distribution of Business Loans Made in 1998, 1999, + through January 2000 Compared to
Distribution of Businesses in Each Tract Income Category**

Income Level of Census Tract	Distribution of Bank Loans in the Census Tract (Number of Loans)	Distribution of Bank Loans in the Census Tract (Amount of Loans)	Distribution of Businesses in Each Tract Income Category
Low/Moderate	24%	12%	24%
Middle/Upper	76%	78%	76%
Total	100%	100%	100%

RESPONSE TO COMPLAINTS

Natbank has not received any complaints regarding its CRA performance during this evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

For our fair lending portion of the examination, we reviewed residential mortgage loans made in 1999 using the loan terms approach. We compared approved loans from female applicants who applied for credit alone to approved loans to male applicants who applied for credit alone. We compared all loans terms to applicable rate sheets and found no evidence of disparate treatment. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Fair lending policies, procedures, and training efforts are satisfactory.