



SMALL BANK

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

PUBLIC DISCLOSURE

December 18, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Continental National Bank of Miami
Charter Number 16325**

**1801 Continental Plaza SW First Street
Miami, FL 33135**

**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 Outstanding.

Our performance evaluation finds that Continental National Bank of Miami's performance is "Outstanding". The primary reasons for this rating are:

The bank's loan-to-deposit ratio is more than reasonable when considering the high level of the bank's community development lending.

The level of lending in the bank's assessment area is more than reasonable with a substantial majority of loan originations both by number and dollar being in the bank's assessment area.

The geographic distribution of loans within the bank's assessment area is more than reasonable.

The distribution of loans to businesses of different sizes reflects a reasonable distribution.

The overall level of qualified investment and service activity is excellent, supporting the bank's outstanding CRA rating.

DESCRIPTION OF INSTITUTION

Continental National Bank of Miami (CNB) is a minority-owned intrastate commercial bank established in 1974 and headquartered near downtown Miami, Florida. CNB is owned by Continental Bancorporation, a one bank holding company also headquartered in Miami. In September 2004 the bank formed Continental Bancorp, C.D.E., as a subsidiary of the bank. The primary purpose of the community development entity (CDE) will be to provide investment capital to low-income communities. In 2005 the CDE applied for funds under the Department of the Treasury's New Markets Tax Credit program, but was not successful in receiving an allocation. At this time, the CDE has not yet been capitalized and is not operational.

CNB operates six banking offices within Miami-Dade County. The main office is located in Miami's Little Havana neighborhood. As of September 30, 2006 the bank had total assets of \$221 million and total deposits of \$198 million. Tier 1 Capital totaled \$19 million. CNB offers a wide variety of deposit and loan products, as detailed in the bank's Public File. However, the bank's primary business strategy is business lending, with a focus on real estate development. Total loans, which represent 68 percent of assets, equaled \$150 million and were divided into the following categories: commercial real estate loans (36%), other consumer loans (22%), construction loans (16%), multi-family housing loans (14%), residential mortgage loans (8%), and commercial and industrial loans (3%).

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

There are no legal, financial or other impediments that hamper the bank's ability to help meet the credit needs of its community. The bank's rating at its preceding CRA examination, dated September 30, 2002 was "Satisfactory".

DESCRIPTION OF MIAMI-DADE ASSESSMENT AREA

The bank's assessment area consists of all of Miami-Dade County which is equivalent to Metropolitan Division (MD) 33124. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

The assessment area is a densely populated urban center with a population of approximately 2.3 million people (2000 Census). The Miami-Dade assessment area consists of 347 geographies (census tracts) of which 8 percent are considered low-income, 29 percent moderate-income, 33 percent middle-income, and 30 percent upper-income. The majority of low- and moderate-income geographies are located in the City of Miami where approximately 16 percent of the county population resides. The 2006 HUD adjusted median family income for the Miami-Dade assessment area is \$48,300. Approximately 40 percent of assessment area families are considered to be low- or moderate-income. According to the U.S. Census Bureau 2004 American Community Survey, the City of Miami is the third poorest city in the United States.

Housing costs in Miami-Dade County are high and have increased significantly over the past several years. Based on data from the National Association of Realtors, the median sales price of an existing single-family home increased from \$192 thousand in 2002 to \$371 thousand in 2005. Couple this with the increasing costs for taxes and hurricane insurance, and it is clear that homeownership is beyond the means of most low- and moderate-income families, even with some form of assistance.

The Miami-Dade assessment area's economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism, and banking. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with a distinct advantage as a global trading and financial center. Of the approximately 241,000 non-farm businesses in the assessment area, approximately 35 percent are service businesses and 14 percent are retail businesses. Businesses are predominately small, both in terms of number of employees and revenue size.

Banking competition is very intense in the assessment area. Based on FDIC data as of

June 30, 2006, there were 79 financial institutions operating 612 banking offices in the Miami-Dade County assessment area, including branches of the largest banks in the country. Competition for loans is even more intense since numerous mortgage companies also operate in the assessment area and national credit card lenders compete for small business loans.

Assessment Area Credit Needs

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information and community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. For this examination, we conducted a community contact with a non-profit certified Community Development Financial Institution (CDFI) that provides home ownership counseling, financing, and construction of housing that is affordable to low- and moderate-income families.

Overall, critical identified credit needs include financing for the construction and purchase of housing affordable to low- and moderate-income families, financing for small businesses particularly start-up businesses, and loans for the revitalization of designated low- and moderate-income neighborhoods.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We evaluated the CRA performance of CNB using small bank performance criteria. Our evaluation covered the period from September 30, 2002 through December 18, 2006, although we focused on lending activity from January 1, 2004 through December 18, 2006. Consistent with the bank's primary lending focus, small loans to businesses were reviewed. The bank originates a minimal number of home mortgage loans.

The criteria that are most important in determining the institution's overall rating are "Lending to Borrowers of Different Incomes and to Businesses of Different Sizes" and "Geographic Distribution of Loans."

At the bank's request, we reviewed qualified investments and services.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance when consideration is given to the high level of CNB's community development loans.

The bank's average quarterly loan-to-deposit ratio since the last CRA examination is 75.2 percent. This performance is consistent to that of two similarly situated institutions operating in the assessment area with an average quarterly loan-to-deposit ratio of 77.91 percent for the same period. Performance also compares favorably with six other peer group banks operating in the State of Florida. The loan-to-deposit ratios for these banks ranged from 73.60 percent to 93.75 percent during the same period.

In addition, the bank had a high volume of community development loans that were responsive to assessment area needs. Given the size of the bank, this activity represents a substantial commitment to community development. From January 1, 2004 through November 1, 2006, CNB originated 17 community development loans totaling \$5.6 million in its assessment area. Of those loans, 95 percent of the dollar volume helped to meet affordable housing needs, the most pressing need in the bank's assessment area.

Of affordable housing loans, nine loans totaling \$1.2 million represent CNB's share of loans originated by a lending consortium in which the bank participates. The consortium was established by a local branch of a statewide non-profit community development corporation (CDC) to provide smaller banks with the opportunity to participate in affordable housing development. The CDC provides financing for land acquisition, development, and/or construction of multi-family and single-family housing that is affordable to low- and moderate-income individuals and families. Most projects make use of Low Income Housing Tax Credits (LIHTC). The loans noted here will ultimately help to produce 1,476 units of affordable rental housing in the bank's Miami-Dade assessment area. Also, CNB provided additional financing totaling \$2 million directly to one of the CDC's developers to allow for the construction of a 204 unit rental complex targeted to low- and moderate-income families in Miami-Dade County.

Three community development loans totaling \$2.2 million provided financing for the purchase of 48 units of rental housing in moderate-income geographies of the bank's assessment area. Rents charged for these apartments are affordable to moderate-income families.

An additional four community development loans totaling \$255,000 helped to meet community service needs in the bank's assessment area. These loans are to a not-for-profit clinic operating in a moderate-income geography that provides medical care and education to local residents who are predominately low- and moderate-income.

Lending in Assessment Area

CNB exceeds the standard for satisfactory performance for lending in the assessment area. As shown in Table 1, a substantial majority of the bank's small loans to businesses, both in terms of number and dollars, were originated within the bank's assessment area.

Table 1 - Lending in the Miami-Dade Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	89	97	3	3	92	15,236	96	652	4	\$15,888

Source: sample of loan. (Dollars in 000's).

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

The distribution of loans to businesses of different sizes meets the standard for satisfactory performance. The percent of the bank's loans (by number) to businesses with gross annual revenues of \$1 million or less (small businesses) is somewhat lower than the percent of such businesses in the bank's Miami-Dade assessment area.

It should also be noted that of the bank's small loans to businesses, 67 percent were for \$100,000 or less and 86 percent were for \$250,000 or less.

Table 2 - Borrower Distribution of Loans to Businesses in the Miami-Dade Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	61.72	4.90	33.38	100%
% of Bank Loans in AA by #	36.73	55.10	8.16	100%
% of Bank Loans in AA by \$	19.18	70.86	9.96	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of CNB's small loans to businesses exceeds the standard for satisfactory performance. In low-income geographies, the percent of the bank's loans is somewhat lower than the percent of businesses located in low-income geographies. In moderate-income geographies, the percent of loans substantially exceeds the percent of businesses located in moderate-income geographies.

Table 3 - Geographic Distribution of Loans to Businesses in the Miami-Dade Assessment Area								
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	5.08	4.08	22.20	34.69	32.40	34.69	39.91	26.53

Source: Dunn & Bradstreet data; loan sample

Qualified Investments and CD Services

Overall, community development investment and service performance is excellent and it helps to support an overall outstanding CRA rating. The bank's qualified investments are satisfactory considering the size and capacity of the bank and help to support its affordable housing community development activities. Service performance provides excellent access to financial services, particularly in low- and moderate-income areas.

Investments

The bank's investments are satisfactory considering the size and capacity of the bank. CNB had five qualified community development investments during the evaluation period totaling \$25,000. The majority of investments (80%) represent the bank's investment in the affordable housing CDC noted in the community development loan discussion above. This investment is used for CDC operations. Other investments represent grants to a certified CDFI that specializes in affordable housing in the bank's assessment area and to a scholarship fund targeted to low- and moderate-income students in the bank's assessment area.

Services

Retail Banking Services: CNB's delivery systems are excellent and readily accessible to all geographies and individuals of different income levels throughout the bank's assessment area. Of the bank's six branches, one (17%) is located in a low-income geography, three (50%) are located in moderate-income geographies, and two (33%) are located in middle-income geographies. No branches are located in upper-income geographies. The percent of the bank's branches in low-income geographies exceeds the distribution of the population (4.98%) living in such geographies. The percent of branches in moderate-income geographies also exceeds the distribution of the population (28.61%) residing in such geographies.

The bank offers a wide range of banking products and services, as described in the bank's Public File. Products, services and business hours are reasonable and are comparable among branch locations, regardless of the income level of the geography. The bank did not open or close any branches during the evaluation period.

Community Development Services: Community development services are excellent. The bank provides a high level of community development services in its assessment area, considering the bank's size and based on the number of organizations impacted. CNB's community development services are responsive to assessment area needs, primarily addressing affordable housing, the most pressing need in the Miami-Dade assessment area.

CNB officers regularly share their financial expertise and provide technical assistance by serving as board members, officers, and committee members of five community organizations that help to provide affordable housing opportunities or community development services to low- and moderate-income individuals and families. Officers have and continue to serve as members of the loan committee and as chairman of the

Board of Directors of the affordable housing CDC noted in the community development loan discussion above. Technical assistance was also provided to another local affordable housing CDC operating in the bank's assessment area by an officer serving as Board Chairman. In addition, an officer served as Vice-Chairman of an organization formed to revitalize and stabilize a moderate-income area near the bank's main office and also serves on two Advisory Boards. One is an organization dedicated to assisting in the financing of construction and purchase of affordable housing and the other to community services directed toward the homeless.

Responses to Complaints

CNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.