



WHOLESALE BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 03, 2003

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Pinebank, National Association
Charter Number 23181**

**1001 Brickell Bay Drive
Miami, FL 33131**

**Comptroller of the Currency
South Florida Field Office
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

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development lending, community development services, and qualified investment activity.
- The bank demonstrates rare use of innovative or complex qualified investments, community development loans, and community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from August 12, 2000 through October 31, 2003. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the prior examination dated September 11, 2000, we rated the bank Satisfactory.

Description of Institution

PineBank, N.A. ("PineBank") opened in 1990 as a State chartered institution. In June of 1998, the bank converted to a national charter. The bank's primary business focus is trade finance and other correspondent banking activities with banks in South and Central America. Also, in order to diversify risk, the bank purchases residential mortgage loans secured by real estate in South Florida. As of June 30, 2003, PineBank reported total assets of \$358 million and total deposits of \$298 million. PineBank is an intrastate bank with one office located in Miami, Florida. The bank is owned by Brazilian nationals and has no subsidiaries. However, because of the owner's interests in Brazil, there are numerous affiliates; all located outside the United States and not relevant to this evaluation. There has been no merger or acquisition activity since the last CRA evaluation.

The bank offers a wide array of trade related products including letters of credit, banker's acceptances, direct advances and placements to foreign banks. As of June 30, 2003, net loans of \$278 million represented 78% of total assets and consisted of short-term trade related loans (56%), commercial loans (10%), residential real estate loans (31%), and consumer loans (3%). Net loans represented 93% of deposits.

PineBank was approved for designation as a wholesale bank for purposes of the CRA on June

30, 1998. As defined by the CRA, a wholesale bank is an institution that is not in the business of originating home mortgage, small business, small farm, or consumer loans to retail customers.

Other than the restrictions imposed by PineBank’s scope of operations and business strategy, there are no legal, financial or other factors impeding PineBank’s ability to meet the community development needs of its designated assessment area.

Table 1: Financial Information (\$000s)

	Year-end 2000	Year-end 2001	Year-end 2002	Most Recent Quarter-end 06/30/03	Average for Evaluation Period
Tier 1 Capital	22,773	26,908	30,571	31,097	27,837
Total Income	3,630	4,135	4,521	**4,869	4,289
Net Operating Income	3,630	4,135	4,521	**4,869	4,289
Total Assets	302,997	330,139	405,014	358,081	349,058

Source: Consolidated Report of Condition and Income and bank reported data. **Annualized data reported.

Description of Assessment Area

Pine Bank’s assessment area consists of all of the Miami-Dade MSA, which is equivalent to the boundaries of Miami-Dade County. The Miami-Dade MSA, Florida’s largest metropolitan area, is a densely populated urban center. According to the 1990 Census, the total population was approximately 2 million people, residing in a nearly 2 thousand square mile area. The 2000 Census shows the MSA population to be 2.3 million, a 16.3 % increase.

The City of Miami, located entirely in the Miami-Dade MSA, represents approximately 20% of the MSA, but it has the highest concentration of low- and moderate-income census tracts and families. Based on the 1990 Census, the City of Miami is considered to have the 4th highest poverty rate among cities with a population of 100,000 or larger. Miami-Dade County overall has the 6th highest poverty rate among counties with a population of 500,000 or more.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tract	267	13%	22%	36%	29%
Families	485,213	8%	19%	39%	34%
Small Business	110,232	9%	18%	32%	41%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data (2002).

Housing costs in the Miami-Dade MSA are high. For 2002, the Florida Association of Realtors estimated the median sale price of an existing single-family home in the Miami area to be \$194,600. By mid-2003 the price is estimated to have risen to \$241,000. When compared with the most recent U. S. Department of Housing and Urban Development (“HUD”) estimated

median family income of \$43,800 for 2003 it is clear that the unsubsidized purchase of an average single-family residence would not be affordable for most individuals classified as low- and moderate-income.

The Miami-Dade MSA's economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism and banking. However, as the overall economy declined during the past several years, unemployment rates in the Miami-Dade MSA increased from 5.3% in 2000 to 7.7% in 2002. Federally designated Empowerment Zones have been established in the MSA to assist in stimulating new job creation and retention of current jobs in support of an overall comprehensive economic, social, and community development plan to assist the most distressed areas of the MSA.

Community credit needs in the assessment area were determined from a number of sources. We reviewed recent community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. Also, we conducted a community contact with a Community Development Financial Institution (CDFI) with the mission of providing affordable housing in the South Florida area. Additionally, a review was made of the HUD 5-year Consolidated Plan (1999 to 2004) for the City of Miami. HUD Consolidated Plans are comprehensive reports that identify community credit needs and community development opportunities.

The most critical identified credit need for the Miami-Dade MSA is financing for affordable single and multi-family housing units for low- and moderate-income residents. Loans for the rehabilitation of existing properties in poor neighborhoods is another identified need. Also, there is a stated need to create jobs accessible to low- and moderate-income individuals through the creation or expansion of small businesses as well as a need for access to community development funding that promotes the revitalization and stabilization of poor neighborhoods.

There are a wide range of opportunities for community development lending, investments, and services throughout the Miami-Dade MSA. Community development opportunities include working with and providing financing to the numerous organizations whose mission is to provide affordable housing and/or community services for low- and moderate-income persons, as well as organizations with a mission of economic development. The federally designated Empowerment Zone and 20 areas designated as Targeted Urban Areas ("TAU") that are the focus for the Urban Economic Revitalization Plan for Miami-Dade County offer opportunities for community development lending. Types of community development investments available in the MSA include, but are not limited to, bond and tax credit purchases for low- and moderate-income housing, participation in numerous local CDFIs and opportunities to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing, community services for low- and moderate-income persons, and economic development.

Conclusions About Performance

Summary

PineBank's overall CRA performance is Satisfactory. The overall level of community development activities is adequate given available community development opportunities and the bank's resources. The bank rarely uses innovative or complex community development activities. The bank's responsiveness to credit and community development needs in its assessment area is excellent.

Community development activities include qualified investments, community development loans, and community development services.

Level of Activity

Qualified investments - The bank originated investments totaling \$6.7 million during the evaluation period.

Community Development loans - The bank originated community development loans totaling \$852 thousand during the evaluation period.

Community Development Services - Bank representatives provided financial assistance to ten qualified community development organizations during the evaluation period.

Innovation/Complexity of Activity

PineBank rarely uses innovative or complex community development activities. See comments under "Community Development Services" for a description of a complex community development service. There are no innovative or complex community development loans or investments.

Responsiveness to Community Credit Needs

PineBank's responsiveness to the credit and community development needs in its assessment area is excellent. Affordable housing for low- and moderate- income individuals, including multi-family and single family housing, was identified as the most pressing credit and community development need in the bank's assessment area. Virtually all of the bank's community development activities are directed toward affordable housing needs.

Qualified Investments

Table 3 shows that during the evaluation period, PineBank originated 11 investments totaling \$6.7 million. Also, six investments totaling \$1.8 million originated prior to the evaluation period remain outstanding at the time of this evaluation. Additionally, grants totaling \$11 thousand to six different non-profit community development organizations were given. There were no

unfunded commitments to purchase qualified community development investments. During the evaluation period, PineBank originated no innovative or complex community development investments.

PineBank’s investments provided excellent responsiveness to community development needs in its assessment area. Virtually all community development investments originated by PineBank during the evaluation period were directed toward affordable housing needs in the bank’s assessment area. Prior to the evaluation period, PineBank purchased \$1.8 million in qualified community development bonds that remain outstanding during the evaluation period. All of these bonds were for affordable housing for low- and moderate-income individuals. These outstanding bonds provide a continuing positive impact on the assessment area as the multi-family housing units constructed with the funds continue to be affordable for low- and moderate-income persons.

Table 3: Qualified Investment Activity (\$000s)

	Benefits AA
Originated Investments	6,653
Originated Grants	11
Prior Period Investments that Remain Outstanding	1,782
Totals	8,446

Examples of significant investments originated during the evaluation period include:

Housing Finance Authority of Miami-Dade County Multi-Family Mortgage Revenue Bonds, Series 1997-A.

The bank made three separate investments in this bond issue totaling \$702 thousand. Bond proceeds were used to finance the 280-unit Golden Lakes Apartments, a multifamily residential development in Miami for persons and families of low- and moderate-income. The Golden Lakes development is part of the Low Income Housing Tax Credit Program. The total bond issue was \$10.5 million.

Housing Finance Authority of Miami-Dade County Multifamily Housing Revenue Bonds, Series 2000-5A.

Funds from this bond issue were used to finance a 308-unit multi-family housing complex known as Sunset Bay Apartments located in Miami. The complex is for occupancy by persons of low- and moderate- income. The total bond issue was \$13.3 million. PineBank’s investment in the bonds is \$1.1 million.

Housing Finance Authority of Miami-Dade County Multifamily Housing Revenue Bonds, Series 1998.

This bond issue helped to finance the 192-unit Villa Esperanza Apartments located in Miami. The complex, for occupancy by persons of low- and moderate- income, is part of the Low Income Housing Tax Credit Program. The total bond issue was \$8.5 million. PineBank made two separate investments in the bond totaling \$873 thousand.

The Community Reinvestment Act Qualified Investment Fund (“Fund”).

The Fund is a mutual fund that invests in CRA qualifying securities. Although the Fund operates nationally, it seeks specific investments in the participating institution’s assessment area. Investments in PineBank’s assessment area include securities backed by two separate pools of Freddie Mac mortgage loans to low- and moderate-income borrowers in Miami-Dade County. The Fund has also invested in Miami Beach Redevelopment Agency Taxable Increment Revenue Bonds. Proceeds from the bonds assist the City of Miami Beach in pursuing a program of community redevelopment within designated low- and moderate-income areas of the City in order to prevent the development and spread of blighted conditions. The bank’s investment in the Fund is \$2.5 million.

Table 4 shows qualified investments as percentages of Average Tier 1 Capital and Average Total Loans.

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	30%
Total Investments/Average Total Income	197%
Total Investments/Average Receivables	NA

Qualified investments had a positive impact on the bank’s assessment area. PineBank’s investments during the evaluation period helped to finance the acquisition and/or construction of approximately 944 affordable multifamily housing units targeted to low- and moderate-income persons. Affordable housing was found to be the most critical need in the bank’s assessment area.

Community Development Lending

During the evaluation period, PineBank originated six community development loans totaling \$852 thousand. These mortgage loans helped to provide 38-units of affordable multi-family housing within low-income geographies of the bank’s assessment area. (Table 5 shows community development loans as a percent of Average Tier 1 Capital and Average Total Income).

The bank had no innovative or complex community development loans however, PineBank’s community development lending provided excellent responsiveness to the most pressing credit and community development needs in its assessment area. As previously noted, all of the loans helped to finance affordable housing for low- and moderate-income persons in the bank’s assessment area.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	3%
Total CD Lending/Average Total Income	20%

Community Development Services

During the evaluation period, PineBank representatives provided financial-related services to ten non-profit organizations that provide community development services in the bank’s assessment area. Services provided were responsive to assessment area credit and community development needs. Six of the ten organizations to which PineBank provided services had affordable housing for low- and moderate-income persons as its primary mission. Four of the organizations provide community services to low- and moderate-income individuals. PineBank’s relationship with one affordable housing organization is considered complex. It involves a significant amount of the bank officer’s time and requires a high level of expertise.

Highlights of community development services provided in the assessment area during the evaluation period include:

Community Reinvestment Group, LLC

This non-profit consortium of 22 local banks provides loans to community development corporations (CDCs) in the bank’s assessment area. The CDC then uses the funds for the construction and /or rehabilitation of single-family homes for low- and moderate-income families. A loan officer for PineBank has the responsibility of analyzing loan applications to determine creditworthiness, funding the loans, and managing the construction draws for the consortium’s loans. The total annual funded amount of consortium loans in 2002 was \$1 million. As discussed above, this activity is considered complex for this bank.

Fannie Mae Foundation

The Fannie Mae Foundation is one of the largest foundations in the country devoted to affordable housing for low- and moderate-income individuals and community development. A mortgage loan officer is a member of the Mortgage Finance Program Local Advisory Board, formed to help develop and monitor special mortgage loan products directed at low- and moderate-income borrowers in the bank’s assessment area.

Children’s Home Society

This non-profit organization provides community services for low- and moderate-income children in the bank’s assessment area. A member of the bank’s Board of Directors serves as a member of the Finance Committee and is responsible for budgeting and fundraising.

Fair Lending Review

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

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. 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 both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD) – Affordable 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) – The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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.

Geography – A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Median Family Income (MFI) – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8.*]

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

Tier 1 Capital – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1)*]

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12*]

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c*]

Wholesale Institution – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.