

PUBLIC DISCLOSURE

September 20, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Gulf Bank
931636

Miami, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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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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 Gulf Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of September 20, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The bank's average loan-to-deposit ratio is reasonable given the institution's size, local competition from other banking entities, and loan demand in the assessment area. A substantial majority of the loans sampled are inside the bank's assessment area. In addition, an analysis of sampled loans indicated a reasonable penetration of loans among businesses of different revenue sizes. The geographic distribution of the bank's loans reflects reasonable dispersion throughout the assessment area. No CRA-related complaints were received since the previous examination.

DESCRIPTION OF INSTITUTION

Gulf Bank operates two offices in Miami, Florida. The main office is located in eastern Miami-Dade County near the affluent city of Coral Gables. The branch office is located in western Miami-Dade County, where several small industries and warehouses are located. According to the June 30, 1999 Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$82.2 million. No legal or financial impediments exist that would hinder the bank's ability to meet the credit needs of its assessment area. The bank received a rating of satisfactory at its previous CRA evaluation dated January 20, 1998.

The bank offers a variety of credit products. The types of credit offered, as listed in the bank's public file include consumer loans, automobile loans, residential mortgage loans, commercial and Small Business Administration (SBA) loans. However, the bank does very little consumer lending and concentrates on commercial loans to the international market.

Three individuals from the community were contacted for their perceptions of the community, opportunities for participation by local financial institutions, and the performance of local financial institutions. Two contacts are associated with community development projects and one is a representative of the Small Business Administration. The contacts indicated that there is a need for small business and community development lending. The contacts were generally complimentary of the outreach activities and lending performance of the banks in the community.

DESCRIPTION OF INSTITUTION (Continued)

The composition of the loan portfolio according to the June 30, 1999 Call Report is shown on the following table.

COMPOSITION OF LOAN PORTFOLIO AS OF JUNE 30, 1999*		
Loan Type	\$ (000s)	Percent
Construction and Development	\$2,591	6.7%
Secured by One- to Four- Family Dwellings	\$3,977	10.3%
Other Real Estate:		
Multifamily	\$3,233	8.4%
Nonfarm nonresidential	\$17,320	45.0%
Commercial and Industrial	\$4,187	10.9%
Loans to Individuals	\$761	2.0%
Loans to Depository Institutions	\$6,377	16.6%
Other Loans	\$72	0.2%
Total	\$38,518	100.0%

* This table does not include the entire loan portfolio. Specifically, it excludes bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

The following table shows a comparison of the bank's loan portfolio by loan type at the previous examination and as of June 30, 1999.

COMPOSITION OF LOAN PORTFOLIO AS OF SEPTMEBER 30, 1997 AND JUNE 30, 1999*		
Loan Type	Percentage	
	1997	1999
Construction and Development	3.9%	6.7%
Secured by One- to Four- Family Dwellings	14.9%	10.3%
Multifamily	16.7%	8.4%
Nonfarm nonresidential	30.0%	45.0%
Commercial and Industrial	7.6%	10.9%
Loans to Individuals	3.4%	2.0%
Loans to Depository Institutions	21.6%	16.6%
Other Loans	1.9%	0.2%
Total	100.0%	100.0%

* This table does not include the entire loan portfolio. Specifically, it excludes bankers acceptances, leasing financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

DESCRIPTION OF INSTITUTION (Continued)

As shown in the table on the preceding page, loans outstanding secured by nonfarm nonresidential real estate increased by 15 percent from the previous examination and represent the largest portion of the bank's loan portfolio. This is reflective of the bank's focus to originate commercial real estate loans. It is interesting to note that loans to depository institutions comprise the second largest portion of loans outstanding. The percentage of loans outstanding secured by residential real estate decreased by approximately 4 percent since the previous examination, which is reflective of the bank's reduced emphasis on originating consumer real estate loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as Miami-Dade County. Miami-Dade County is located in southeast Florida and makes up the Miami-Hialeah Metropolitan Statistical Area (MSA). The county is an important hub of international trade and commerce. It has the second greatest financial center in the country but also includes the country's fourth poorest city. The assessment area does not arbitrarily exclude any low- or moderate-income geographies.

The table on the following page provides key demographic information (from the 1990 census) which was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to particular portions of the analysis.

DEMOGRAPHIC ANALYSIS - GULF BANK						
Distribution of Tracts	Number			Percent		
Low-Income Tracts	39			14.6%		
Moderate-Income Tracts	57			21.3%		
Middle-Income Tracts	96			36.0%		
Upper-Income Tracts	75			28.1%		
<i>Total Assessment Area</i>	267			100.0%		
Housing Units - Tract Distribution	Owner-Occupied		Rental		Vacant	
Low-Income Tracts	12,252	3.3%	50,122	15.8%	9,111	11.5%
Moderate-Income Tracts	48,351	12.9%	87,510	27.7%	14,205	18.0%
Middle-Income Tracts	153,540	40.8%	110,334	34.9%	28,200	35.7%
Upper-Income Tracts	161,863	43.0%	68,383	21.6%	27,417	34.7%
<i>Total</i>	376,006	100.0%	316,349	100.0%	78,933	100.0%
Housing Units - Percentage in Tract						
Low-Income Tracts	17.1%		70.1%		12.7%	
Moderate-Income Tracts	32.2%		58.3%		9.5%	
Middle-Income Tracts	52.6%		37.8%		9.7%	
Upper-Income Tracts	62.8%		26.5%		10.6%	
<i>Total Assessment Area</i>	48.8%		41.0%		10.2%	
Population - Tract Distribution	Families		Households		Population	
Low-Income Tracts	37,694	7.8%	62,476	9.0%	178,001	9.2%
Moderate-Income Tracts	90,481	18.6%	135,881	19.6%	376,282	19.4%
Middle-Income Tracts	192,219	39.6%	263,492	38.1%	764,591	39.5%
Upper-Income Tracts	164,819	34.0%	230,388	33.3%	618,220	31.9%
<i>Total</i>	485,213	100.0%	692,237	100.0%	1,937,094	100.0%
Population - Percentage by Income						
Low-Income	113,168	23.3%	180,858	26.1%		
Moderate-Income	79,578	16.4%	101,755	14.7%		
Middle-Income	93,094	19.2%	121,009	17.5%		
Upper-Income	199,373	41.1%	288,615	41.7%		
<i>Total</i>	485,213	100.0%	692,237	100.0%		
Families - Tract Distribution	Families < Poverty Level	Low-Income Families	Moderate-Income	Middle-Income	Upper-Income	
Low-Income Tracts	22.7%	19.1%	9.2%	5.2%	1.9%	
Moderate-Income Tracts	30.4%	29.8%	25.3%	18.2%	9.9%	
Middle-Income Tracts	34.7%	37.2%	44.7%	46.9%	35.6%	
Upper-Income Tracts	12.2%	13.9%	20.9%	29.7%	52.6%	
<i>Total</i>	100.0%	100.0%	100.0%	100.0%	100.0%	
Families - Percentage in Tract						
Low-Income Tracts	41.3%	57.5%	19.4%	12.9%	10.2%	
Moderate-Income Tracts	23.1%	37.3%	22.2%	18.7%	21.8%	
Middle-Income Tracts	12.4%	21.9%	18.5%	22.7%	36.9%	
Upper-Income Tracts	5.1%	9.5%	10.1%	16.8%	63.6%	
<i>Total Assessment Area</i>	14.2%	23.3%	16.4%	19.2%	41.1%	
MSA Median Family Income	\$31,113					
Households Receiving Public Assistance	10.0%					
Population Age	Age 65 and Over			Age 18 and Over		
	14.0%			75.9%		

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding of the components. These rounding errors are immaterial and have no effect on related analyses or conclusions.

DESCRIPTION OF ASSESSMENT AREA (Continued)

As shown in the table on the preceding page, the Miami-Hialeah MSA is a large metropolitan area. The assessment area includes 267 census tracts, and according to the 1990 US Census Bureau Information has a population in excess of 1.9 million. The median family income for the assessment area is \$31,113, which is slightly below the median family income of \$32,212 for the state. Middle-income census tracts constitute the largest percentage of census tracts in the assessment area and contain the highest percent of the population.

Because the bank is primarily a commercial lender, the composition and distribution of businesses in the assessment area is essential to this analysis. The following table reflects total businesses in the bank's assessment area by income level of the census tract according to data from Dun and Bradstreet. The table also identifies the number and percentage of small businesses in each of the census tract income levels. A small business is defined as an entity with gross annual revenues of less than \$1 million.

BUSINESS DEMOGRAPHICS - GULF BANK						
Percentage in Tract	Total Businesses		Businesses with Revenue:			
			Under \$1 Million		\$1 Million and Greater	
Low-Income Tracts	8,574	10.3%	7,241	10.1%	1,333	11.3%
Moderate-Income Tracts	16,230	19.5%	13,555	18.9%	2,675	22.7%
Middle-Income Tracts	25,613	30.7%	22,842	31.9%	2,771	23.6%
Upper-Income Tracts	32,268	38.7%	27,378	38.2%	4,890	41.6%
Tract Not Reported	669	0.8%	577	0.8%	92	0.8%
<i>Total</i>	<i>83,354</i>	<i>100.0%</i>	<i>71,593</i>	<i>100.0%</i>	<i>11,761</i>	<i>100.0%</i>

As shown in the preceding table, 85.9 percent of the businesses in the assessment area are considered small businesses. The table also indicates that the largest percentage (38.7 percent) of all businesses is located in upper-income census tracts. The largest percentage of small businesses is also located in the upper-income census tracts.

DESCRIPTION OF ASSESSMENT AREA

Using information from the U.S. Bureau of Labor Statistics, employment figures for Miami-Dade County are shown in the following table. The State of Florida is included as a comparison to the county unemployment rates.

UNEMPLOYMENT RATES FOR THE MONTH OF JUNE				
Area	1996	1997	1998	1999
Miami-Dade County	7.7%	7.8%	6.9%	6.4%
State of Florida	5.4%	5.1%	4.6%	4.1%

Although the unemployment rate for Miami-Dade County has continued to decline, it has remained higher than the State of Florida. Considering this information, as well as the income and population statistics, the assessment area does not seem to be economically depressed to a significant degree.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

The bank's loan-to-deposit ratio is considered reasonable. The average net loan-to-deposit ratio for the six quarter period ending June 30, 1999, was 58.9 percent. The average ratio has increased since the previous examination when the bank's ratio was 52.2 percent. Since the previous examination, the bank has experienced continued growth in assets, deposits, and loans. Total assets increased by \$21.3 million, total deposits increased by \$18.3 million, and net loans grew by \$11.8 million.

Gulf Bank's average loan-to-deposit ratio was compared to the average loan-to-deposit ratios of 8 other financial institutions of similar asset size operating in Miami-Dade County. The six-quarter average loan-to-deposit ratios for these institutions ranged from a low of 5.8 percent to a high of 77.5 percent. The bank's average net loan-to-deposit ratio as of June 30, 1999, ranked sixth in a ranking of the nine local financial institutions.

Gulf Bank's average loan-to-deposit ratio seems low; however, the Miami-Dade community is a highly competitive banking market. The bank faces competition from larger financial institutions including commercial banks, finance companies, and credit unions. In consideration of the mitigating circumstances involving competitive factors, relocation of the bank's branch office, and an increasing trend in the bank's net loans and average net loan-to-deposit ratio, the ratio meets the standards for satisfactory performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

A sample of 66 small business loans was reviewed to analyze the bank's lending performance. Small business loans were also analyzed at the previous examination. Small business loans are defined in the CRA as those with loan amounts of \$1 million or less. The following table shows the percentage of the sampled small business loans originated inside and outside the bank's assessment area.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA					
Loan Type	IN				
	<i>Number</i>	<i>Percent</i>	<i>\$ (000s)</i>	<i>Percent</i>	
Small Business	58	87.9%	\$13,368	92.1%	
	OUT				
	<i>Number</i>	<i>Percent</i>	<i>\$ (000s)</i>	<i>Percent</i>	
	8	12.1%	\$1,151	7.9%	
	TOTAL				
	<i>Number</i>		<i>\$ (000s)</i>		
66		\$14,519			

The preceding table shows that a substantial majority of the bank's loans are inside the assessment area. Of the 66 small business loans sampled, 58 (88 percent) are in the assessment area. The 66 small business loans totaled \$14.5 million, \$13.4 million (92 percent) of which were originated inside the assessment area. The bank's record of lending inside its assessment area exceeds standards for satisfactory performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Businesses of Different Revenue Sizes

Small Business Loans

As stated before, loans to businesses represent a significant portion of the bank's lending activity. Loans secured by nonfarm nonresidential real estate, and commercial and industrial loans, accounted for approximately 56 percent of the bank's loan portfolio on June 30, 1999. The annual gross revenues of the sampled commercial entities were analyzed to provide a distribution by revenue size of businesses. Of the 58 small business loans made inside the bank's assessment area, 15 did not have revenue information and were excluded from the analysis. Revenue information was not available for these borrowers because the loans are 100 percent collateralized and revenue was not a factor in the credit approval process. The following table depicts the distribution of 43 small business loans in the assessment area by revenue size and by loan size.

SMALL BUSINESS LOANS		
Lending by Business Revenue	Number	Percent
\$1 Million or Less	34	79.1%
Over \$1 Million	9	20.9%
Total	43	100.0%
Loan Size:		
\$100,000 or Less	21	48.8%
\$100,001 - \$250,000	7	16.3%
\$250,001 - \$1 Million	15	34.9%
Total	43	100.0%

The distribution of small business loans meets standards for satisfactory performance. Good penetration of loans to businesses of different revenue sizes is evident. As indicated by the table above, 34 (79.1 percent) of the 43 loans were originated to small businesses, which is comparable to the percentage of small businesses in the assessment area at 85.9 percent. In addition, 21 (62 percent) of these 34 loans were extended to businesses with revenues of \$100,000 or less. This distribution indicates the bank's willingness to meet the needs of small businesses. Additionally, 21 (49 percent) of the small business loans granted in the assessment area are for amounts of \$100,000 or less. 28 loans (65 percent) are for amounts of less than \$250,000. This is also indicative of the bank's willingness to make small loans to small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans

The geographic distribution of small business loans meets standards for satisfactory performance. The geographic distribution of small business loans is compared to the geographic distribution of businesses in the assessment area to determine the bank's level of performance. As shown in the geographic distribution table on page 7, 10.3 percent of businesses are located in low-income census tracts; 19.5 percent are located in moderate-income business tracts; 30.7 percent are in middle-income census tracts; and 38.7 percent are in upper-income census tracts. 0.8 percent of the businesses could not be geo-coded. The following table depicts the geographic distribution of the 58 small business loans originated in the bank's assessment area.

GEOGRAPHIC DISTRIBUTION		
	Number	Percent
Tract Income Level	Small Business	
Low-Income Tracts	2	3.4%
Moderate-Income Tracts	14	24.1%
Middle-Income Tracts	8	13.8%
Upper-Income Tracts	34	58.6%
<i>Total</i>	<i>58</i>	<i>100.0%</i>

The percentage of business loans originated in low-income census tracts was lower than the percentage of businesses located in these census tracts. The low percentage of loans in these tracts can be attributed to competition of other financial institutions. Many of the bank's competitors are in closer proximity to the low-income census tracts. As a result, small business loan customers typically will bank with those financial institutions in closer proximity unless they have a prior relationship with Gulf Bank or Gulf Bank is offering highly competitive interest rate for small business loans. The percentage of loans originated in moderate-income census tracts exceeds the percentage of businesses located in these census tracts. Overall, 27.5 percent of the small business loans were originated in low- and moderate-income census tracts which contain 29.8 percent of the businesses in the assessment area. The percentage of business loans originated in middle-income census tracts is significantly below the percentage of businesses located in middle-income census tracts. However, the percentage of loans originated in upper-income census tracts exceeds the percentage of small businesses located in these census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Complaints

No complaints relating to the bank's compliance with CRA have been received since the previous examination.

Compliance with Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices have the intent or the effect of discouraging applicants.