U.S. Century Bank takes on larger regional competitors...

To fill what he perceived as a local shortage of true community banks, Octavio Hernandez helped found U.S. Century Bank about five years ago. The bank turned a profit after its first three months, he says, and now has more than \$1 billion in assets and \$175 million in capital. Eighteen branches and growing, U.S. Century competes with larger, regional banks more than community operations, Mr. Hernandez says, but maintains a "family" feel through it all.

He was interviewed in U.S. Century Bank's Doral headquarters by Miami Today staff writer Risa Polansky.

Q: How long have been with U.S. Century Bank?

A: I am a founding director of U.S. Century Bank, and we started the bank in October 2002. We felt that there was a need for a good community bank most of the local banks were bought out by large regional banks. We were very well received by the community and have grown very fast and profitably. We currently have over a billion dollars in assets.

Q: How have you seen the banking environment change since you started?

A: What has changed the most is the economy. When we started out, real estate was booming and we had a very strong board of directors, a lot of them involved in real estate, so we were able to take advantage of the real estate boom and we did very well.

Of course, as every one knows, real estate is very slow now. One of the things we had to do is diversify and add a new host of business lines this year. We started a corporate lending division to do more asset-based loans, a global banking division to do international corresponding, a letters of credit division, and strengthened our consumer lending area. We have tried to move away from the dependency of real estate and balance our lending portfolio with other types of loans, and so far it has worked out very well.

Q: What do you consider your biggest accomplishment at the bank?

A: My biggest accomplishment is that we have been able to grow to this size and number of branches and still remain profitable. We were profitable our third month of operation, which is very unusual for a bank. Usually banks take two to three years to turn a profit, and we did it in three months and have been profitable every since. Our goal is to grow but to maintain the profitability

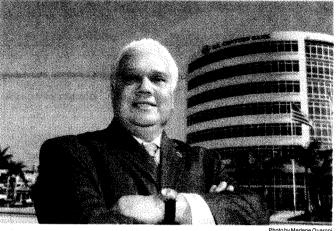
Q: To what do you attribute the sudden success?

A: Basically, it was good timing - I think we hit the market just right. There was a vacuum for a good community bank. Then we had a very strong board of directors that are very well known in the community and very active. We put together a strong management team that was big in following the customers, we hired some excellent people.

The third leg of the stool is our shareholders. We have 450 shareholders, they have been very helpful in recommending the bank and not only giving us their business but other business. So it was a combination of all three factors that has made us as successful as we are.

O: How have you seen the customer

Build Equity



U.S. Century Bank CEO Octavio Hernanez led the community bank to profitability within three months of its inception in 2002. It has remained profitable, he says.

Octavio Hernandez

President, Chief Executive Officer U.S. Century Bank 2301 NW 87th Ave. Miami 33172 (305) 715-5200 ohernandez@uscentury.com Born: Camaguey, Cuba Education: Florida International University (bachelor's, political science) Personal philosophy: "You have to be fair with people, you have to be honest and surround yourself with the best people available."

A: Phenomenally. We have over 12,000 customers, and as we open branches we are very well received. We recently had a survey done by Bendixen and Associates, which has been around for awhile now. They surveyed over a hundred customers at random and it was the first time they could recall in their history that they had 100% of satisfaction with service. A hundred of the 100 people that they called basically said that our service was excellent or very good.

So we were very proud of that accomplishment, and that is what sets us apart from other banks. Everyone says "they give good service." We deliver, and we really do. Some of the comments we got back from the customer survey are that they felt like they were part of the family, they felt at home, that everyone here bent over backwards to help them. That is the kind of feeling we create, we call it "high tech, high touch."

Q: How many employees do you have? A: 239

Q: What is your customer base?

A: Our customer base is varied. We have branches mostly throughout Dade County, so a good percentage of our customer base is Hispanic, but we have customers from all nationalities. There are people who are looking for service, for convenience and people who want that old fashioned personal touch.

not only do we give that good personalized service but we can back it up with the latest technology and latest products and rates.

O: What do you see as the biggest growth areas possible for the bank?

A: We want to have a very big footprint in Dade County. At some point we would like to have about 25 branches in Dade County. We have already started to expand into Broward and eventually into Palm Beach. But we want to do it growing where we don't have branches spread out that we cannot manage.

We want to grow at a pace, go north where we can manage our branches and take full advantage of the advertising impact. We don't see the point in having a branch in a remote location by itself. we want to be recognized. We are starting to move through Hollywood, Fort Lauderdale, West Broward, Miramar and ventually getting to Palm Beach County.

Q: What type of expansion do you expect in the New Year?

A: We anticipate opening four branches and probably about four branches a year for the next three years.

Q: How about looking five years ahead?

A: Our tenth anniversary, I would like us to be in the neighborhood of about \$4 billion to \$5 billion in assets with 40 to 50 branches as my goal.

Q: Speaking of community, how is South Florida as a banking environment in general?

A: South Florida is a wonderful market - that is why all the regional banks want to be here. Even if the economy is bad, South Florida will always do well. basically because it is the gateway to Central and South America. There is always a flow of new people moving in, always lots of money coming into this area and new business.

Q: What are some of the challenges vou are facing?

A: The next couple of years are going to be little uncertain as far as the economy is concerned. We are keeping an eye on that. We are very in tune to what is going on in the marketplace. That is probably the biggest challenge we have is managing the next 18 to 24 months with a continued slowdown in in banking? What is some of your We also have the latest technology, the economy, especially in the housing previous experience?

Q: How do you plan to accommodate?

A: By diversifying a lot of our lending. We know our customers very well; our portfolio continues to be very clean. We'll continue to use those very conservative underwriting standards for all the lending that we do as we have in the

Q: What about competition?

A: Competition is very strong in Dade County because it is such a great market. But competition is good because it allows customers to recognize and select what they want. We do not have a problem with competing; there is enough business for everyone in this market. We are getting our fair share of business, so everyone is welcomed.

Q: How hard were you hit by some of what is going on with lending?

A: We have been very lucky we have not had any major problems with delinquencies and our portfolio is still very clean. We did not have an issue with sub-prime lending that people have been talking about. Our residential real estate loans, we have broken and sold them off. We did not have anything in the portfolio.

Q: Looking at these issues that have been dragging down financial institutions: could it have been avoided?

A: To a certain degree there was exuberance in the market and there was a lot of business. People were feasting on the real estate market and perhaps some of the real estate standards were relaxed a little more than they should

Q: How did you know not to relax?

A: We are a very conservative group. Our board of directors and management is very conservative. We always try to get good loan-to-value ratios on our loans and strong borrowers. We know just about all our borrowers because we have been in this market and we understand this market very well.

Pretty much, when we made a loan, we knew the individual very well, and that is very important, knowing who your customers are. I would say it was the strict underwriting and knowing our customers that helped us.

Q: Aside from this organization, what bank organizations active here in Miami do you admire and why?

A: I think Ocean Bank has done a great job in being a very good community bank. I think Jose Concepcion, the president, has been a great leader and someone I look up to as a banker. They have always been very involved and provided a lot of capital in this market to help Miami grow to what it is.

Q: You have just established your headquarters here in Doral. Why Doral?

A: We think Doral is a great market to be in. It is very centrally located, it is one of the fastest-growing cities and it has a presence for a lot of business. We think it was great fit for us.

Q: Do you see the headquarters remaining here as the bank continues to grow?

A: Certainly, yes.

Q: How did you come to be involved

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A: I started banking with Coral Gables regional banks.

ceral. which was a great institution. Q: What else attributes to you reach-One of the things that attracted me was ing this level? so I am extremely grateful to them for Federal, which was a great institution. that they paid for my college education, hat. I was in their management training program and eventually became a branch

After Coral Gables Federal I went to the president of Northern Trust. I con-AmeriFirst. I was there 10 years. Then was very fortunate to work for Interwho was the president there and now is sider him to be an excellent banker as continental Bank with Bill Morrison, work for another great institution,

some of the premier community banks that we had in Miami, which most of I was very lucky to learn from very good bankers and to have worked at them disappeared. It was always my goal to bring back that community bank feeling to our county because I think we need it.

do it better than regional banks.

Q: Do you see most of your competi-

banks because of the size of loans we

A: Yes, it is, but we can do it because Q: Is this unique for a community

manager for them.

later lobby and drive-thru hours, service

that a direction that you are headed in?

the plan is to duplicate this in Broward County over the coming 18 to 24 months. Q: Some banks are beginning to offer on weekends, things of that nature - is A: We have several branches that are

open Saturdays. We have normal banking hours. We have studied this issue a hours or 'til midnight. It is very hard to justify that expense, and it is very diffi-Thursday, 9 a.m.-4 p.m.; Fridays 9 lot, and the cost benefit does not add up. It is very difficult to staff a branch 24 cult on our people as well.

Q: Have you seen others following

A: Yes, it is almost cyclical, like a 10-

We have good hours: Monday through

a.m.-6 p.m.; and several branches open

Saturdays in the morning. That seems to be enough for our customers. We really do not have a demand for more

> they want, and community banks can year cycle; banks start up then get bought out. There are several community banks that have come up and I am sure they will do very well. This market has a demand for community banking as opposed to big regional banking. Maybe it is in the culture, I think it is. This is something our customers tell us that

ing, and with Internet banking, you get

have to come to the bank.

On top of that, we have Internet bank-

hours; it is not something our custom-

ers are asking for.

A: In our case, the bigger regional don coming from community banks or the bigger regional banks?

nandle here.

nillion, which we can compete with was going to revolutionize banking and of the capital. We have \$175 million in capital, so we can make loans up to \$45

it was going to do away with branches, Q: Have you been involved with fish-and a lot of banks started to close ing? philosophy. We always thought that there and I do it as often as I can. branches. We never subscribed to that was a need for the old brick-and-mortar branch, that people wanted to go to the branch manager and the officers of the branch, people wanted to know the A: I think our network has helped a lot. My goal is to have branches within 20 minutes of each other. Most of our branches have drive-thrus. That is why think our branch network has helped us a lot. We have a lot of visibility. Now

Now you see a lot of the banks that got away from branches going back to opening branches. The Internet is great need for a human being, there is still a and it is very helpful, but there is still a need for someone to solve a problem for you, there is still a need for someone to greet you by your name and know who you are, and you don't get that through the Internet.

Q: Any other changes or trends you have noticed in the years you have been in banking?

A: The industry is changing a lot in the regulatory environment. It is a highly regulated industry, particularly in the international banking side, with the Pational steps to comply with all the regulatory requirements. That has been a big triot Act. It has made banks take addiimpact and a significant expense for most banks.

Q: How has it affected U.S. Century Bank?

triot Act because the company is five years old. It really didn't affect us. We have a very strong compliance department, we have always done very well in have been around longer because they A: We already started under the Pathat field. It has affected banks that the necessary documentation that is now required, and they had to go back and had customers that had been with them for many years, but they didn't have all acquire the documentation. So it affected them a lot more then us because we started complying from day one. 24-hour banking at home so you don't Q: What do you see as the future of A: For our type of customers, for the customer that likes what we do, this is want different kind of service, and there a good model. There are customers that sonal, more high tech, long lines. But banking as people's demands change? are banks that provide that: more imperour customer, the one that we are after, the model that we have is what they Q: How has the Internet changed

Q: If you hadn't become a banker, what would you have enjoyed doing? A: Captain of a fishing boat.

A: Originally, everyone thought that it

banking?

A: That is my hobby and my passion,

Q: When did you come to Miami? A: I came in 1960 from Cuba

Q: How have you seen Miami grow

is overwhelming. When I got here as a mer, all the hotels were closed. It was a A: It has been incredible, the change little boy this was a sleepy city, everything was shut down during the sumbrant, modern city, and when you have totally different world. Now it is a viseen what has happened in South Beach, it is amazing, a great place to live.

Q: What has kept you here?

A: I love it here. I wouldn't think of moving anywhere else. This is home, I love Miami, I love the Keys, and I have no intention of moving.

Q: What is your community involvement in Miami?

A: We belong to several chambers, merce, the Coral Gables Chamber of Commerce, the Beacon Council. I'm also a director of the Florida Bankers the Greater Miami Chamber of Com-Association. Our board members are We are a big supporter of the United also very involved in the community. Way. As a bank, we do a lot.

know there are a lot of people out there who devote a great deal of time to community events, and I do the best I Individually, I do as much as I can. I

Q: Is there anything else you enjoy doing?

Q: How do you want the bank to be A: No, if I get a chance I go fishing. known in the community?

A: We want to be known as the bank of choice by this community and any be selected as the bank that gives the best service in town, a great place to go community we enter into. We want to and transact business and a place where vou can feel nart of the family