



PUBLIC DISCLOSURE

April 25, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pacific National Bank

Charter Number: 20010

1390 Brickell Avenue, Miami, Florida 33131

Office of the Comptroller of the Currency

Miami Field Office

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Miami, Florida 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.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated Outstanding.

The major factors that support this rating include:

- The institution demonstrates a high level of community development (CD) loans.
- The institution demonstrates rare use of innovative or complex qualified investments, CD loans, and CD services.
- The institution exhibits excellent responsiveness to credit and CD needs in its assessment area.

Description of Institution

Pacific National Bank (PNB) is a wholesale, intrastate community bank that is headquartered in Miami, Florida. PNB's wholesale bank designation was approved on January 16, 1996. An institution with this designation is evaluated under the community development (CD) test, which assesses a bank's record of meeting assessment area (AA) credit needs through CD loans, investments, and CD services.

The Bank is privately owned by the founders of Black Diamond Capital Management, LLC (BDCM), a U.S. based, privately held equity firm that purchased the bank on October 31, 2014. PNB was originally nationally chartered in 1985 as a wholly owned subsidiary of Banco Del Pacifico Ecuador, owned by the Central Bank of Ecuador. On January 17, 2012, the ownership was transferred to Corporacion Financiera Nacional which is owned by the government of Ecuador. In order to address issues raised under the Bank Holding Company Act of 1956, a Divestiture Trust Agreement was executed on March 28, 2012, placing the shares of the Bank into a trust. The trustee was responsible for selling the shares of the Bank and the Bank was ultimately purchased by BDCM. As of December 31, 2021, PNB had total assets of \$1.0 billion and tier 1 capital of \$81.1 million.

The Bank's single AA is the Miami-Miami Beach-Kendall, FL Metropolitan Division (MD) 33124. This MD is part of the Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan Statistical Area (MSA) 33100 which includes all of Miami-Dade, Broward, and Palm Beach counties. The Bank has a total of three branches, including the main branch in Miami, Florida. The other two branches are located in Coral Gables and Aventura. On May 31, 2019, the two automated teller machines (ATMs) located at the main office and at the Coral Gables branch were closed. Customers were notified of the closure and were provided unlimited withdrawals at Presto ATM, the ATM network owned by Publix, a Florida-based grocery store chain.

PNB is a full-service bank that offers traditional loan and deposit products and services to foreign and domestic commercial and retail customers. The Bank's core business strategy is commercial lending, with a limited level of retail lending. The AA in which the Bank operates

has a large proportion of foreign-born residents which is reflected in the Bank’s customer base. The Bank’s operating strategy is also focused on attracting customers who seek a relationship-driven, personalized banking services. The loan portfolio is comprised primarily of commercial real estate, commercial and industrial, 1-4 family investment, Small Business Association (SBA) loans, and Paycheck Protection Program (PPP) loans. Offered deposit products include checking, savings, NOW, money market, and certificate of deposit accounts.

The last CRA Performance Evaluation dated May 6, 2019, the Bank was rated “Outstanding”. There were no legal or financial circumstances that impeded the Bank’s ability to meet the credit needs in its AA during the evaluation period. The table below provides a summary of the Bank’s financial condition, and a perspective on the Bank’s capacity to help meet the needs of the assessment area.

Table 1: Financial Information (000s)

	Year-end 2019	Year-end 2020	Most Recent Quarter-end 12/31/2021	Average for Evaluation Period
Tier 1 Capital	70,333	70,939	81,143	74,138
Total Income	29,096	25,054	29,096	27,749
Net Operating Income	2,143	633	5,677	2,818
Total Assets	622,994	764,500	1,012,337	799,944

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

Scope of the Examination

Evaluation Period/Products Evaluated

In evaluating the Bank’s CRA performance, we reviewed CD activities from January 1, 2019 through December 31, 2021. We reviewed the level and nature of qualified investments, CD lending, and CD services.

For purposes of this evaluation, bank-delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single assessment area. Similarly, bank-delineated non-MSA assessment areas within the same state are combined and evaluated as a single area.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank, or in any assessment area by an affiliate whose loans have been considered as part of the Bank’s lending

performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Florida

CRA Rating for Florida: Outstanding

The major factors that support this rating include:

- The institution demonstrates a high level of CD loans, CD services, and qualified investment activity in the state of Florida.
- The institution demonstrates rare use of innovative or complex qualified investments, CD loans, or CD services in the state of Florida.
- The institution exhibits excellent responsiveness to credit and CD needs in Florida.

Description of Assessment Area

The Bank operates in one AA in the state of Florida and has designated Miami Dade County as its assessment area. This assessment area is the equivalent of Metropolitan Division 33124, as described in the Description of the Institution section of this performance evaluation.

During its peak, the COVID-19 pandemic had widespread, detrimental economic effects on families and businesses in Miami Dade County. In an effort to prevent the spread of the coronavirus, the State of Florida issued a statewide stay-at-home order on March 20, 2020, which mandated the closure of all nonessential businesses. On May 14, 2020, nonessential businesses throughout the state were permitted to reopen but occupancy restrictions were imposed. On April 29, 2021, the State of Florida suspended all COVID-19 public health restrictions and businesses were allowed to resume operations at full capacity.

According to the U.S. Bureau of Labor Statistics, as of December 31, 2021, the unemployment rate in Miami Dade County was 3.0 percent, which was lower than the national average of 3.9 percent. The unemployment rate ranged from a low of 1.7 percent (December 2019) to a high of 7.7 percent (December 2020) during the evaluation period. The State of Florida and Miami-Dade County unemployment rates peaked in 2020 due to the pandemic but have since declined and are now below the national average.

Unemployment Rates	December 2019	December 2020	December 2021
United States	3.6	6.7	3.9
State of Florida	2.9	6.5	3.5
Miami Dade County	1.7	7.7	3.0

United States Bureau of Labor Statistics. Data were subject to revision on March 2, 2022.

PNB operates in a highly competitive banking market. The Bank faces competition from local and national large financial institutions, other community banks and thrifts, non-depository institutions, and credit unions. As of June 30, 2021, the Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report indicated that there are 67 FDIC-insured financial institutions and PNB ranked 36th. Combined, these institutions maintained a total of 621 branches in the AA. PNB has a total of \$687.4 million in deposits and a deposit market share of approximately 0.38 percent. The competitors with the largest deposit market share include Bank of America, National Association (N.A.), Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., Citibank, N.A. and City National Bank of Florida. These institutions have total deposits of \$99.7 billion and a combined deposit market share of 54.5 percent.

Demographic data including the number and geographic designation of census tracts, families, and business in the Miami Dade County AA is summarized in Table 2 below:

Table 2: Miami Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	519	5.78%	27.75%	28.90%	34.10%
Families	572,388	24.02%*	16.55%*	16.88%*	42.55%*
Businesses	539,413	3.08%**	20.82%**	25.90%**	47.84%**

Source: Demographic Data – 2015 American Community Survey, 2019, 2020 Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract.

According to the American Community Survey (ACS) 2015 Census data, the median housing value of owner-occupied housing units in Miami-Dade County was \$244,010 compared to the median family income of \$49,264. High home prices were a result of low mortgage rates, limited housing inventory available for sale, and new residents moving to Miami-Dade County. Investors quickly purchased many lower-priced properties, further limiting the availability of affordable housing for LMI buyers. Rent is also high in the AA given the median monthly gross rent was \$1,155 and families below the poverty level totaled 16.9 percent. Based on the median family income, low-income is considered less than 50 percent of the median family income, which would be less than \$24,632 per year. Moderate income is less than 80 percent of the

median income but not less than 50 percent of the median family income, or \$39,411. According to the 2015 ACS Census, 19.1 percent of households spent more than 30 percent of their income for mortgage payments. The inflation rate was 2.3 percent in December 2019, compared to 7.0 percent in December 2021, based on data from the U.S. Bureau of Labor Statistics.

A lack of affordable housing inventory, high home prices, the economic effects of the pandemic, and inflation present significant challenges for LMI individuals and families to purchase homes. Considering the low median family income and the high poverty level in the AA, it is difficult for LMI families to afford mortgage payments without subsidies. Based on the most recent tax data available, the median property taxes for Miami Dade county is \$2,756, ranking highest in the state of Florida. LMI renters, particularly low-income renters, also need rental subsidies to help cover the cost of their rent payments. The economic impact of COVID-19 worsened the existing housing situation for both renters and homeowners, which prompted the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as the creation of various government programs which prohibited evictions for LMI renters and homeowners.

Many institutions purchase mortgage-backed securities in their AAs collateralized by homes to LMI people, or loans in LMI geographies, affordable housing multifamily properties, or SBA loan pools to support affordable housing for LMI individuals and geographies and small business lending. This makes CD qualified investment opportunities more limited and highly competitive. There are opportunities to make donations or loans to organizations that have a CD purpose. There are many nonprofit organizations that provide community development services to LMI people or small businesses in the AA, including facilitating affordable housing, economic development support, homeownership and credit counselling, and providing financial education.

Community contacts identified the greatest credit and community development needs of the AA as affordable housing and small business lending. This is further supported by recent housing and demographic data, as well as CRA performance evaluations from other banks operating in the Bank's AA. The four community contacts were all nonprofit organizations, providing economic development, affordable housing, and community development services. There is also a need for small business loans from local banks since local businesses need working capital loans to maintain their businesses due to the impact of COVID-19.

Conclusions About Performance

Summary

Based on a full-scope review of the AA, PNB demonstrates a high level of CD performance in Miami-Dade County.

- The Bank has a significant level of qualified CD loans and investments/grants. During the evaluation period, PNB originated \$52.8 million in CD loans, including \$22.8 million in PPP loans and \$3.9 million in qualified investments and donations. The Bank participated in a reasonable amount of CD services, with a total of 396 hours during the evaluation

period. The level of activity was excellent given the Bank's size, scope of operations, competitive pressures, available opportunities in the AA and its wholesale designation.

- The Bank rarely uses innovative or complex qualified investments and CD loans, which has a neutral impact on the Bank's performance.
- The Bank exhibits excellent responsiveness to credit and community development needs. Affordable housing and small business lending are the greatest needs in the AA, and the Bank has addressed these needs during the evaluation period.

Qualified Investments

Table 3b: Qualified Investment Activity (000s)

	Benefits AA**
Originated Investments	\$3,830
Originated Grants	\$77
Prior-Period Investments that Remain Outstanding	\$0
Total Qualified Investments	\$3,907
Unfunded Commitments*	\$0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the Bank's financial reporting system. ** Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

Table 4b: Qualified Investment Percentages

	Benefits AA (%)*
Total Investments/Average Tier 1 Capital	5.27
Total Investments/Average Total Income	14.65

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

CD investments represent excellent responsiveness to AA needs, given the Bank's size and the level of opportunities in the AA. During the evaluation period, PNB acquired two qualified CD investments totaling \$3.8 million, collateralized by multifamily affordable housing properties. The Bank made an additional \$77,000 in donations to qualifying nonprofit organizations, including a \$15,000 donation to Chapman Partnership, which supports the homeless.

CD Lending

Table 5b: CD Lending Percentages

	Benefits AA (%)*
Total CD Lending/Average Tier 1 Capital	201.71
Total CD Lending/Average Total Income	71.15

* CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

PNB demonstrates a high level of CD lending within the Miami Dade County AA. The Bank has exhibited an excellent responsiveness to credit and CD needs in its AA by making loans that support affordable housing and small businesses. During the evaluation period, the Bank originated 27 CD loans totaling \$29.9 million and 96 PPP loans totaling \$22.8 million, for a combined total of \$52.8 million. The largest CD loans include the following:

- PNB financed a \$5.7 million loan to acquire four multi-tenant industrial warehouse buildings. The property is occupied by 29 tenants, mostly autobody repair shops. The building is located in a moderate-income tract and the loan promotes job retention and creation and employs and serves area residents.
- The Bank originated a \$4.6 million loan to provide construction financing for an office/warehouse building. The building is located in a low-income tract and the loan promotes business growth and job retention/creation.
- PNB extended a \$2.0 million loan to a community health center that operates a board and assisted living facility. The center is located in a moderate-income tract and supports affordable housing needs.

CD Services

During the evaluation period, PNB participated in an adequate level of CD services that were responsive to the needs of the AA. The Bank partnered with local nonprofit organizations to help facilitate affordable housing, provide economic assistance, and promote financial literacy to low- and moderate-income individuals. Executive management also provided technical assistance by serving on boards of community development organizations. These services address the community needs of the AA. Noteworthy examples of service activities include the following:

- **Chapman Partnership** –A nonprofit organization with a mission to provide comprehensive programs and services in collaboration with others that empower residents with dignity and respect to overcome homelessness and achieve and maintain long-term self-sufficiency. Chapman Partnership operates two homeless assistance centers with 800 beds located in Miami and Homestead, Florida. Collectively these two centers serve approximately 5,000 men, women, and families with children annually. The organization provides a comprehensive support program that includes emergency housing, meals, health, dental, and psychiatric care, day care, job training, job placement, and assistance with securing stable housing. PNB’s President Carlos Fernandez-Guzman serves as the Chairman for this organization.
- **The Greater Miami Chamber of Commerce Affordable Housing Task Force** – This multi-sector, public-private partnership is a collaborative team that works to address the continuum of housing solutions needed to resolve the persistent affordable housing problem in Miami-Dade County. Financial institutions are providing the funding. PNB’s President Carlos Fernandez-Guzman serves as the Chairman of the task force. Mr. Fernandez-Guzman was responsible for creating a community bank loan pool with the

purpose of rehabilitating existing affordable housing and to fund the new construction of affordable housing for individuals with 80-120 percent area median income (AMI).

- Community Depository Institutions Advisory Council and the Board of Governors (CDIAC) – The CDIAC is a forum for small financial institutions created by the Board of Governors to provide input to the Board on local economic conditions, lending conditions, effects of regulatory policies on the institutions’ ability to provide financial services and other issues of interest to community depository institutions. This activity supports community development and economic development. PNB’s President Carlos Fernandez-Guzman is a member of the council.

Appendix A: Summary of MMSA and State Ratings

RATINGS	PACIFIC NATIONAL BANK
Overall Bank:	Overall Bank Rating
Pacific National Bank	Outstanding
State of Florida	Outstanding

Appendix B: Definitions and Common Abbreviations

The following terms and abbreviations may be used in this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or

small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.