



PUBLIC DISCLOSURE

August 22, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pacific National Bank
Charter Number 20010

1390 Brickell Avenue
Miami, FL 33131

Office of the Comptroller of the Currency
Miami Field Office
9850 N.W. 41 Street
Suite 260
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.

The conclusions for the three rating criteria are:

- The bank demonstrates high level of community development lending, an adequate level of community development services, and a high level of qualified investment activity, particularly when considering performance context.
- The bank rarely demonstrates use of innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment area (AA). A substantial majority of community development activities are related to meeting the affordable housing needs of the assessment area.

Scope of the Examination

In evaluating the Bank's performance under the CRA, we reviewed community development activities from June 24, 2013 through July 8, 2016. We reviewed the level and nature of qualified investments, community development lending, and community development services. The Bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments, community development loans and services were considered in evaluating its performance. At the prior examination dated June 24, 2013, we rated the Bank Outstanding.

Description of Institution

Pacific National Bank (PNB) is an intrastate community bank headquartered in Miami, Florida and has \$460 million in total assets as of June 30, 2016. PNB is a full-service bank offering traditional loan and deposit products and services to individuals and businesses. The Bank has one branch located in Coral Gables, Florida that was opened in August 2015. PNB was chartered in 1985 and as of October 2014 is 100 percent owned by individuals that form the investment group, Black Diamond Capital Management, LLC (BDCM). Previously, the Bank was 100% owned by Banco del Pacifico-Ecuador (BPE) which, until January 17, 2012, was owned by the Central Bank of Ecuador. On that date, following a November 2011 decree of the President of Ecuador, the ownership of BPE was transferred to Corporacion Financiera Nacional, a company wholly 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. The Bank announced the sale to BDCM on October 28, 2013, and it was consummated on October 31, 2014.

There are no legal or financial circumstances that impede the Bank's ability to meet the credit needs in its assessment area. However, during the evaluation period, the Bank's financial condition was adversely affected by the slow recovery from the most recent national recession,

resulting in weak earnings performance. PNB still managed to address the credit needs in the assessment area.

PNB offers a variety of credit products including commercial real estate, commercial, consumer, residential, and small business loans. The Bank's business strategy focuses on commercial lending. The Bank offers deposit products such as checking, savings, NOW, money market and time deposit accounts. PNB was approved for designation as a wholesale bank for purposes of the CRA on January 16, 1996.

A summary of the loan portfolio is reflected in the table below:

Table 1: Financial Information (000s)

	Year-End 12/31/2013	Year-end 12/31/2014	Year-end 12/31/2015	Most Recent Quarter-end 06/30/2016	Average for Evaluation Period
Tier 1 Capital	\$40,394	\$51,378	\$53,807	\$55,510	\$50,272
Total Income	\$12,863	\$2,051	\$13,523	\$17,116**	\$11,388
Net Operating Income	-\$827	-\$88	\$2,427	\$3,426**	\$1,235
Total Assets	\$351,633	\$377,593	\$424,600	\$460,304	\$403,533

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

Description of Assessment Area

PNB has designated Miami-Dade County as its assessment area. This assessment area, which is equivalent to Metropolitan Division (MD) 33124, meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	518	5.98%	25.48%	32.05%	32.20%
Families	571,889	4.69%*	26.61%*	34.35%*	34.34%*
Businesses	354,341	2.14%**	21.91%**	26.96%**	46.24%**

Source: Demographic Data - 2010 U.S. Census, 2015 Dun & Bradstreet Data. *Represents families by income level of census tract.

**Represents businesses by income level of census tract. 1.75 percent of AA businesses were in no income- designated geographies.

3.28 percent of the geographies were none income designated. May not add to 100 percent due to rounding.

According to the 2010 Census, the Miami-Dade MD has 518 geographies distributed as follows: 31 (5.98 percent) low-income, 132 (25.48 percent) moderate-income, 166 (32.05 percent) middle-income, 172 (33.20 percent) upper-income and 17 (3.28 percent) no income data. Miami-Dade County is a densely populated urban center. According to the 2010 Census, the population totaled 2.5 million. Approximately 16 percent of the population resides in the City of Miami. During the evaluation period, the level of homeowner occupancy declined from approximately 58 percent to 49 percent, as a result of the housing crisis. The level of renter occupancy remains high for the low- and moderate-income geographies at 70 percent and 51 percent, respectively. The percentage of households living below the poverty level declined during the evaluation period, but remains high at 18 percent. These households would have difficulty qualifying for a home loan. The level of households living below the poverty level indicates that there is still a significant need for affordable rental housing in all geographies in the assessment area as rents continue to increase.

Community contacts indicate the need for affordable rental housing is significant and expected to increase in Miami-Dade County. Miami-Dade County was severely impacted by the housing crisis. While the overall economy has improved in the AA, households with rent costs greater than 30 percent of income in low and moderate census tracts remains high at 55 percent and 39 percent, respectively. With a high level of low and moderate households using a significant portion of their income to pay rent, lenders in the area have limited opportunities to originate loans to these families.

The 2000 Census estimates the median value of owner-occupied housing units (2006-2010) in Miami-Dade County to be \$269,600 and the 2010 Census estimates \$295,738. Median sales prices in Miami reportedly reached a low of \$149,000 in the third quarter of 2010 and have increased to \$270,000 as of the fourth quarter of 2015, according to the Miami Dade Department of Regulatory Economic Resources, Research, and Economic Analysis. The Federal Financial Institutions Examination Council estimates median family incomes averaged \$48,850 during the evaluation period and totaled \$48,100 for 2016. Considering the median family income and the poverty levels in the assessment area, it is clear that many low- and moderate-income families generally could not afford mortgage payments, as well as taxes and insurance, unless subsidies and other special programs provided them with assistance during the initial purchase. The availability of assistance has not improved significantly since the peak of the financial crisis.

Major industries include healthcare, real estate development, trade business with Latin America, and tourism. According to Dunn and Bradstreet, there were 354,431 non-farm businesses in the AA for 2015, of which 79.54 percent are considered small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73.20 percent) of all non-farm businesses are concentrated in the County's middle- and upper-income geographies.

The banking industry is very competitive in the assessment area. A review of June 2015 Deposit Market Share data, provided by the Federal Deposit Insurance Corporation reveals that the ten largest institutions operating in the AA command 70 percent of the total market share for deposits. These banks are either regional or national banks that have a significant presence in the area. These ten institutions have 346 branches within the AA. PNB has a deposit market share of 0.27 percent and is ranked 40th. In addition to competition for deposits and loans, the level of competition in the assessment area is very high for qualified community development investments and loans.

Community credit needs in the assessment area were determined by reviewing CRA Performance Evaluations of other Banks operating in the same assessment area and by conducting one community contact with a nonprofit community service organization. We determined that the most pressing credit needs in the assessment area are affordable housing and small business lending.

Conclusions about Performance

Summary

- PNB has a high level of community development loans and investments considering performance context. The level of community development services is adequate.
- The Bank rarely uses innovative or complex qualified investments, community development loans, or community development services.
- The responsiveness of PNB's community development activities is excellent. A substantial majority of community development activities help to meet affordable housing needs, which is the primary need in the assessment area.

Qualified Investments

Community Development investments represent excellent responsiveness to the assessment area needs, given the Bank's size, capacity to provide such investments and the level of opportunities in the assessment area. PNB purchased one (\$1 million) Federal National Mortgage Association mortgage-backed security during the evaluation period. The underlying mortgages are for multifamily low-income housing borrowers and are collateralized by properties located in the assessment area. During prior evaluation periods, PNB purchased two Federal Mortgage Association mortgage backed securities, with outstanding balances of \$4.6 million as of our review date. The underlying mortgages are for multifamily low-income housing borrowers and are collateralized by properties located in the assessment area. Qualifying donations or grants totaled \$37,000 during the evaluation period. The donations and grants were given to organizations such as Camillus House and the Chapman Partnership, organizations that provide housing and other important essentials to homeless people. Habitat for Humanity of Greater Miami was also a recipient of donations made by PNB.

A Government National Mortgage Association investment, with an outstanding balance of \$1 million was purchased during the prior evaluation period. This investment benefits an area adjacent to PNB's assessment area (Broward County). The security is backed by 19 loans, primarily to low-and moderate-income borrowers.

Table 3a: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$1,000	\$0	\$1,000
Originated Grants	\$37	\$0	\$37
Prior-Period Investments that Remain Outstanding	\$4,638	\$1,029	\$5,667
Total Qualified Investments	\$5,675	\$1,029	\$6,704
Unfunded Commitments*	\$0	\$0	\$0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 4a: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	11.29	2.05	13.34
Total Investments/Average Total Income	49.83	9.04	58.87

Community Development Lending

PNB originated 15 community development loans totaling \$15.8 million in the assessment area during the evaluation period. The Bank participates in the Small Business Administration’s (SBA) 504 lending program and originated two loans totaling \$2.2 million under the program during the evaluation period. A majority of PNB’s community development loans (\$11 million) supported the assessment area’s most critical credit need, affordable housing.

PNB originated one community development loan outside its assessment area totaling \$938,000 in Lee County Florida. The loan was to purchase a 24-unit apartment building in a low-income census tract with rents below the market rent as calculated by the Department of Housing and Urban Development.

Table 5a: Community Development Lending Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	31.34	1.87	33.21
Total CD Lending/Average Total Income	138.37	8.24	146.61

Community Development Services

During the evaluation period, PNB participated in an adequate level of community development services considering performance context.

The National Academy Foundation – This is a non-profit organization that provides training and internship opportunities in the financial services industry. The organization works with schools in low-to-moderate income areas. PNB offers internships to students through this organization.

Kids and the Power of Work – This is a program of the National Child Labor Committee and promotes educating elementary children about work and working through partnerships among businesses, communities, and schools. Two bank officers participate in this program promoting work and banking principles.

The Greater Miami Chamber of Commerce Affordable Housing Task Force - This multi-sector, public-private partnership is a collaborative team that will work 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 President, Carlos Fernandez-Guzman, serves as the Chairman of the task force.

Table 7: Community Development Service Activities

CD Service	Benefits AA	Outside AA
The National Academy Foundation	x	
Kids and the Power of Work	x	
The Greater Miami Chamber of Commerce Affordable Housing Task Force	x	

X means yes; Blank means No

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.

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 MSAs (using the MSA 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 has the potential to benefit the assessment area and is located in the 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.

CEBA: Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. [*This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions.*]

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

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

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

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 or UBPR, page 2, "PreTax Operating Income (TE)"*]

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

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) or UBPR, page 11A, "Net Tier One"*]

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

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 or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

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.