



# WHOLESALE or LIMITED PURPOSE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

July 06, 2009

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pacific National Bank  
Charter Number: 20010

1390 Brickell Avenue  
Miami, FL 33131

Office of the Comptroller of the Currency

SOUTH FLORIDA (MIAMI) Field Office  
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**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:

- Overall, 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, or 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 14, 2006, the date of the last CRA evaluation, through July 6, 2009. We reviewed the level and nature of all qualified investments, community development lending, and community development services to ensure that they met the definition of community development.

If a bank has adequately addressed its assessment area needs, the OCC considers community development activities the bank submits that benefit areas outside of its assessment area in the evaluation of its performance. The bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments and community development loans were considered in evaluating its performance.

## **Description of Institution**

Pacific National Bank (PNB) is an intrastate bank headquartered in Miami, Florida. It is a wholly owned subsidiary of Banco del Pacifico, S.A., headquartered in Guayaquil, Ecuador. In turn, Banco del Pacifico, S.A. is owned by the Central Bank of Ecuador, as a result of the banking crisis of 1999. PNB has no branches; operating only from its headquarters facility.

PNB was originally organized in 1982 as the Banco del Pacifico International under the Edge Act (12 USC 2247). Edge Act Corporations are chartered primarily for financing international trade and are prohibited from taking domestic deposits. In 1985, the institution applied for and received approval to convert from an Edge Act Corporation to a United States national bank. Upon conversion to a national bank, the bank's business plan focused on providing U. S. dollar deposits, trade financing, and other loans to persons or entities whose principal residence or place of business is Ecuador. Beginning in 2005, the bank began to rely less on trade financing activities and expand its real estate lending activities.

As of March 31, 2009, PNB had total assets of \$475 million and a loan portfolio totaling \$132 million. Of the total loan portfolio, 25 percent represents construction and land development

loans, 23 percent commercial real estate loans, 16 percent residential real estate loans (1 to 4 family), 15 percent multi-family residential real estate loans, 12 percent commercial loans to non-U.S. borrowers, 5 percent commercial loans to domestic borrowers, and the remaining 4 percent representing “other” loans, including consumer loans.

As of the same date, total deposits equaled \$428 million. Of those deposits, 48 percent or \$205 million represent deposits in foreign offices, Edge and Agreement subsidiaries, and IBF’s which consist primarily of overnight deposits of foreign banks. According to bank reports, of the \$223 million of deposits in domestic offices, approximately seven percent represent deposits of U. S. residents. However, of total loans, 80 percent or \$106 million are to borrowers domiciled in the U. S. indicating that a large portion of domestic loans are made with funds of depositors domiciled outside the U. S. Our evaluation of the bank’s performance takes this factor into consideration.

PNB was approved for designation as a wholesale bank for purposes of the CRA on January 16, 1996. At its last CRA evaluation, dated August 14, 2006, the bank was rated “Outstanding”. There are no legal, financial or other factors impeding the bank’s ability to help meet the credit needs of its assessment area.

The following table provides additional financial information regarding PNB during the overall evaluation period.

**Table 1: Financial Information (\$000s)**

	Year-end 2006	Year-end 2007	Year-end 2008	Most Recent Quarter-end 03/31/09	Average for Evaluation Period
<b>Tier 1 Capital</b>	37,918	42,550	42,924	43,382	41,693
<b>Total Income</b>	21,783	22,909	23,236	18,964**	21,723
<b>Net Income</b>	5,693	4,661	381	1,828**	3,141
<b>Total Assets</b>	349,181	384,140	449,897	475,380	414,799

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

## Description of Assessment Area

PNB has designated all of 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.

Miami-Dade County is primarily a densely populated urban center. According to the 2000 Census, the total population is 2.25 million; however 2006 estimates by the US Census Bureau place the total population at 2.4 million. The largest concentration of population can be found in the city of Miami which also has the largest concentration of low- and moderate-income geographies. Refer to Table 2 for a breakdown of geographies by income level.

Overall, owner occupancy is high in the county reaching 60 percent (based on 2006 estimates) as a result of the housing boom that impacted the area through 2006 however in low- and moderate-income geographies the level of renter occupancy is high (69% and 56%, respectively). These geographies also represent high levels of households below the poverty level (47% and 27%, respectively), indicating a need for affordable rental housing. The Department of Housing and Urban Development (HUD) estimates that the 2009 median family

income for Miami-Dade County is \$50,800. Refer to Table 2 for a breakdown of families by borrower income classification.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b>	347	7.78%	28.53%	32.85%	29.97%
<b>Families</b>	552,484	23.00%*	16.98%*	18.53%*	41.50%*
<b>Businesses</b>	219,069	4.77%**	22.51%**	42.71%**	30.00%**

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data (2009). \*Represents families by income level.

\*\*Represents businesses by income level of census tract.

Miami-Dade County, particularly the city of Miami, has been severely impacted by the housing crisis. The state of Florida consistently ranks among the top five states in the nation for the number of home foreclosures and, according to Moody's Economy.com, the city of Miami has the highest rate of first mortgage write-offs in the country. This situation has put further stress on the affordable rental market and the need for community services directed toward the homeless. It also demonstrates the need for foreclosure counseling programs and the need to revitalize and stabilize low- and moderate-income neighborhoods heavily impacted by home foreclosures.

Local economic conditions are weak primarily due to the large decline in home values. In Miami-Dade County, housing starts have declined to the lowest level in a decade according to the Metro Study Corporation. In the first quarter of 2009 only 43 housing starts were recorded in Miami-Dade County. The decline in jobs, particularly construction and construction-related jobs has driven the county's unemployment rate to 10.6 percent (seasonally-adjusted) at June 2009 compared with 10.6 percent for the state of Florida and 9.5 percent nationally. This indicates a need for activities that support job creation, job placement and job training programs. There are approximately 219,000 businesses located in Miami-Dade County, primarily in middle- and upper-income geographies, as seen in Table 2.

Banking competition within the assessment area continues to be intense. In addition to community and mid-size banks, branches of the largest banks in the country operate in Miami-Dade County. As of June 30, 2008 there were 77 deposit taking financial institutions in Miami-Dade County operating 650 branches. 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.

Although numerous opportunities existed in the early part of the examination evaluation period, opportunities for community development lending and investments in Miami-Dade County have become somewhat limited. Some opportunities continue to exist to finance the purchase and/or rehabilitation of multi-family housing units that provide affordable rental housing in low- and moderate-income geographies, but they have declined from previous levels because of the volume of condominium conversions during the height of the housing boom. Statewide affordable housing entities are continuing to construct affordable rental housing as well as some local developers. However, these are generally limited to projects that can take advantage of Low Income Housing Tax Credits.

There is a federally designated Empowerment Zone that targets economic development with the goal of revitalizing the area by stimulating and retaining jobs and there are areas

designated as Targeted Urban Areas (“TUA”) that are the focus for the Urban Economic Revitalization Plan for Miami-Dade County in which loans can be made.

The impact of the mortgage crisis has caused community development organizations to change their focus from new construction to acquiring foreclosed properties, rehabilitating them, and making them available for rent or for sale to low- and moderate-income persons or families. These activities will be funded through grants from the Neighborhood Stabilization Program (NSP) offered by the Department of Housing and Urban Development (HUD). Miami-Dade County will receive \$62 million to assist in this effort, as well as to demolish or rehabilitate abandoned properties and/or offer down payment and closing cost assistance to low- and moderate-income home buyers. Also, four cities within the county will receive an additional \$27 million under the NSP, including \$12 million for the city of Miami. These activities may provide new community development opportunities for banks in the near future and currently provide opportunities for technical assistance.

Community development investment options have also become somewhat limited, but were more plentiful during the early part of the evaluation period. Mortgage-backed securities continue to be an option but they have become less available and more costly in light of the mortgage crisis. Low Income Housing Tax Credits remain available but they are generally suitable for a small number of banks. Miami-Dade County, the state, and the region do have community development financial institutions (“CDFIs”) and private funds that provide community development investment opportunities. Opportunities exist to contribute to the numerous qualified non-profit organizations whose missions are focused on providing affordable housing and community services for low- and moderate-income persons, particularly in the areas of job training and job placement, as noted by a community contact made for another CRA examination in the same assessment area. Opportunities exist to provide financial literacy training in schools and in cooperation with local community organizations.

In part, community credit needs in the assessment area were determined by reviewing recent community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. For this examination, we conducted a community contact with a non-profit community development corporation whose primary mission is to provide affordable owner-occupied housing in the Little Havana neighborhood of Miami.

Critical needs identified during the contact call included the need for extended terms for construction loans of affordable housing. Because borrowers generally take advantage of multiple buyer assistance programs it takes significant time for each loan to close, extending the repayment process. The need for affordable loans to rehabilitate current structures in the Little Havana neighborhood was also noted. Housing in that community is generally aging and in need of upgrades and repairs but many owners do not have the financial capacity for such projects. Finally, there is a need for small business loan financing, particularly for start-up businesses.

## Conclusions about Performance

### Summary

- Overall, PNB bank has an adequate level of community development investments, loans, and services. The highest level of performance can be seen in community development lending. While the level of qualified investments is less than loans, available opportunities for such activities in the bank's assessment area were more limited during the evaluation period. The level of community development service activity is not consistent with available opportunities.
- 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. Virtually all community development activities help to meet affordable housing needs, which is the primary need in the assessment area.

### Qualified Investments

During the evaluation period, the bank originated one qualified investment in its assessment area totaling \$145,000, as shown in Table 3 below. This investment represents a deposit in an assessment area minority-owned community bank that primarily serves low- and moderate-income geographies.

The bank has two prior period investments that continue to benefit its assessment area. One prior period investment, totaling \$57,000 is the remaining balance of a mortgage-backed security originally purchased in 2001. The security is backed by mortgages to low- and moderate-income borrowers in Miami-Dade County. The investment continues to help provide affordable housing in the assessment area. The other prior period investment represents a deposit in the same minority-owned community bank noted above that has automatically renewed. The deposit continues to assist the institution in helping to serve the banking needs of low- and moderate-income geographies in Miami-Dade County.

During the evaluation period, PNB made one investment outside its assessment area, which benefited adjacent Broward County. The bank purchased a mortgage-backed security (MBS) in June 2009 totaling \$2.4 million. The security is backed by 19 loans primarily to low-and moderate-income borrowers. MBSs are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded. Because this investment was purchased so late in the evaluation period, it was given minimal weight in reaching our performance conclusion.

**Table 3: Qualified Investment Activity (000s)**

	Benefits AA	Outside AA	Totals
<b>Originated Investments</b>	\$145	\$2,400	\$2,545
<b>Originated Grants</b>	0	0	0
<b>Prior-Period Investments that Remain Outstanding</b>	\$152	0	\$152
<b>Total Qualified Investments</b>	\$297	\$2,400	\$2,697
<b>Unfunded Commitments*</b>	0	0	0

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

The bank’s investments are not considered innovative or complex, and are routinely provided by private investors. Investments are responsive to community needs. Virtually all investments help to meet the critical need for affordable housing.

Relative to the bank’s capacity and ability, investments represent the following:

**Table 4: Qualified Investment Percentages**

	Benefits AA (%)	Outside AA (%)	Total (%)
<b>Total Investments/Average Tier 1 Capital</b>	0.07	5.76	6.47
<b>Total Investments/Average Total Income</b>	1.37	11.05	12.42

## Community Development Lending

During the evaluation period, PNB had 12 community development loans totaling \$5.6 million in its assessment area.

The majority (55 percent) of community development loan dollars (\$3.1 million) represent renewals and consolidations of loans originally granted in 2003 to a community development corporation (CDC) operating in the East Little Havana neighborhood of Miami. The CDC has as its mission the development and construction of housing affordable to persons whose income is considered low- or moderate-income. Most recently the CDC completed construction of 45 owner-occupied affordable housing units in a low-income tract in Little Havana. These homes are part of a larger complex being developed by the CDC and were associated with the bank’s loans. Of the three CDC loans, one loan for approximately \$1 million has been participated to LISC, but the bank continues to service the loan.

Of the remaining loans, seven loans totaling \$1.7 million also helped to provide affordable rental housing opportunities in the bank’s assessment area. One loan for \$816,000 helped to provide nine affordable housing units in Miami and another for \$300,000 helped to provide 36 units in Homestead. The rents on both properties are affordable to low- and moderate-income persons based on median family income and fair market rents. Three loans totaling \$433,000 were originated through the bank’s membership in a local affordable housing loan consortium. In total, the bank’s participation helped to provide for the development and construction of 813 units of rental housing affordable to low- and moderate-income families and persons in Miami. The buildings are located in either a low-or moderate-income geography and occupancy is

restricted to tenants with income levels that are 60 percent or less of median family income. Two loans, totaling \$153,000 were to Habitat for Humanity to assist in construction of two owner-occupied homes that will be affordable to low- and moderate-income families.

The other two loans, totaling \$812,000, were to small businesses (businesses with gross annual revenues of \$1 million or less) in Miami-Dade County.

In addition, PNB originated one community development loan outside its assessment area. In adjacent Broward County the bank originated a loan for \$1.4 million that is helping to revitalize and stabilize a moderate-income geography by providing financing to a mobile home park that helps to retain residents in the geography. Loan proceeds were used to make park improvements and by reducing the interest costs allowed the park to maintain rents that are affordable.

Relative to the bank’s capacity and ability, community development loans represent the following:

**Table 5a: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	13.43	3.36	16.79
<b>Total CD Lending/Average Total Income</b>	25.78	6.44	32.22

PNB’s community development lending activities are responsive to the need for affordable housing. The need for affordable housing is primary among the credit needs in the bank’s assessment area. Of the bank’s total community development lending, approximately \$4.8 million or 68 percent was directed to facilitating affordable housing needs for low- and moderate-income families and individuals. In addition, consolidations and renewals of the CDC loans helped the organization complete the construction and sale of the housing units, which took significantly longer than originally planned and the two Habitat for Humanity loans are interest free, helping to contain the cost of the homes and making them more affordable for buyers.

PNC’s community development loans are generally not considered complex.

### **Community Development Services**

During the evaluation period, one PNB director and two officers provided community development services to two community organizations in the bank’s assessment area. Two provided technical assistance to Habitat for Humanity by serving on the Board of Directors, Executive Committee, Family Selection Committee, and as Treasurer. As previously noted, this organization has as its primary mission the development and construction of owner-occupied homes affordable to low- and moderate-income families. Another officer served on the Board of Directors of the affordable housing loan consortium in which the bank participates.

## **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.