



PUBLIC DISCLOSURE

June 24, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pacific National Bank
Charter Number 20010

1390 Brickell Avenue
Miami, FL 33131

Office of the Comptroller of the Currency

Doral Costa Office Park
9800 NW 41st Street, Suite 120
Miami, FL 33178-2970

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:

- Pacific National Bank (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 all community development activities help to meet affordable housing needs that are critical in the assessment area.

Scope of the Examination

In evaluating the Bank's performance under the Community Reinvestment Act (CRA), we reviewed community development activities from July 7, 2009, the date of the last CRA evaluation, through June 24, 2013. We reviewed the level and nature of all qualified investments, community development lending, and community development services to ensure they meet 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.

During the evaluation period, the 2010 Census was completed. For analysis purpose, the years 2009, 2010, and 2011 use demographic data that is based on the 2000 Census while the years 2012 and 2013 use the 2010 Census.

Description of Institution

Pacific National Bank (PNB) is an intrastate bank headquartered in Miami, Florida. PNB has no branch offices and operates only from its headquarters facility. The Bank was founded as 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. During 2012, Banco del Pacifico, S.A. executed a Trust Agreement, transferring legal ownership of PNB to a Trustee. The majority of the issued and outstanding shares of stock PNB (99.99%) is currently held under a divestiture trust and is subject to a sale to one or more parties. Prior to the consummation of the trust, such shares were held by Banco del Pacifico Ecuador, S.A.

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. Accordingly, the majority of the Bank's current customer base consists of Ecuadorean nationals and Ecuador based businesses. The Bank's strategic plan seeks to retain its Ecuador-related business, but also develop a stronger customer-centric, relationship-driven U.S. domestic customer base. Beginning in 2005, the Bank began to rely less on trade financing activities and expanded its real estate lending activities.

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 national recession resulting in financial losses and negative earnings. The Bank has also operated under a Consent Order (CO) with the Office of the Comptroller of the Currency that includes requirements for the Bank to reduce credit risk and problem assets among other areas of focus. Nevertheless, the Bank has managed to address the community credit needs in its assessment area and provided services given the concerted effort it takes for the Bank staff to maintain compliance with the CO. At its last CRA examination dated July 6, 2009, the Bank was rated "Satisfactory." PNB was approved for designation as a wholesale bank for purposes of the CRA on January 16, 1996.

As of March 31, 2013, PNB had total assets of \$346 million and a loan portfolio totaling \$161 million. Of the total loan portfolio, 1.74 percent represents construction and land development loans, 52.15 percent commercial real estate loans, 11.30 percent residential real estate loans (1 to 4 family), 19.39 percent multi-family residential real estate loans, 15.25 percent commercial loans, and 0.17 percent consumer loans. Total deposits equaled \$186 million. Of those deposits, 40 percent, or \$75 million, represent deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs, which consist primarily of overnight deposits of foreign banks. According to Bank reports, of the \$111 million of deposits in domestic offices, approximately 51 percent represent deposits of U. S. residents. However, of total loans, 89 percent, or \$143 million, are to borrowers domiciled in the U. S., indicating that a significant portion of domestic loans are made with funds of depositors domiciled outside the U. S. We considered this factor in our analysis.

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

Table 1: Financial Information (\$000s)

	Year-end 2009	Year-end 2010	Year-end 2011	Year-end 2012	Most Recent Quarter-end 03/31/13	Average for Evaluation Period
Tier 1 Capital	37,926	43,623	40,226	41,221	40,361	40,679
Total Income	15,547	12,439	11,885	12,007	12,151**	12,805
Net Income	-9,922	-7,306	-3,357	955	-3,448**	-4615
Total Assets	397,747	357,767	357,276	346,040	475,380	386,842

Source: Consolidated Report of Condition and Income. **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. Refer to Table 2 for a breakdown of families by borrower income classification and other relevant information on tracts and businesses by income level of tract for the two Census periods.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	347	7.78%	28.53%	32.85%	29.97%
Families	552,484	23.00%*	16.98%*	18.53%*	41.50%*
Businesses	454,419	3.98%**	19.56%**	32.37%**	43.51%**

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data (2011). *Represents families by income level. **Represents businesses by income level of census tract. There was no revenue reported for 0.59% of businesses.

Based on the 2000 Census, Miami-Dade County consists of 347 census tracts (geographies), of which 27 (7.78 percent) are low-income, 99 (28.53 percent) are moderate-income, 114 (32.85 percent) are middle-income, and 104 (29.97 percent) are upper-income. Three tracts have no income designation generally because of low population levels. The city of Miami has the greatest concentration of low- and moderate-income geographies.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	518	5.98%	25.48%	32.05%	33.20%
Families	571,889	23.23%*	17.00%*	18.29%*	41.48%*
Businesses	430,864	3.10%**	22.28%**	27.62%**	45.47%**

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data (2013). *Represents families by income level. **Represents businesses by income level of census tract. There was no revenue reported for 1.53% of businesses.

According to the 2010 Census, the Miami-Dade MD geographies increased to 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 2000 Census, the total population is 2.2 million; however, according to the 2010 Census, the population has grown about 11 percent to 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 60 percent to 58 percent as a result of the housing crisis. However, in low- and moderate-income geographies, the level of renter occupancy is high (69 percent and 56 percent, respectively), based on 2000 Census data. These geographies also represent high levels of households below the poverty level (47 percent and 27 percent, respectively), indicating a need for affordable rental housing. In the city of

Miami, 27 percent of the households are living below the poverty level. These households would have difficulty qualifying for a home loan even at current housing prices. Community contacts indicate the need for affordable rental housing is acute in Miami-Dade County as rent levels rose over the past several years.

Miami-Dade County has been severely impacted by the housing crisis. It consistently has some of the highest foreclosure rates in the United States. According to Bankrate.com, Florida has consistently ranked in the top five states for the highest foreclosure rates. According to Zillow.com, as of the fourth quarter of 2011, 48 percent of homes with mortgages were in a negative equity position, limiting the owners' opportunity for mortgage refinancing. Home prices had fallen 50 percent or more since the highs of 2006, and condominium values declined 60 percent. 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 (2012-2013). Median sales prices in Miami reportedly reached a low of \$149,000 in the third quarter of 2010. Considering the Department of Housing and Urban Development (HUD) estimated median family income for 2010, 2011, and 2012 was \$52,200, \$51,900, and \$52,600, respectively, and the poverty levels in the county, it is clear that low-income and many 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. During the evaluation period, economic conditions had reduced the availability of such assistance. Realtors reported that investors were buying lower priced homes for cash that reduced opportunities available to low- and moderate-income families that wish to occupy the property as their primary residence.

In Miami-Dade County, housing starts declined to the lowest level in a decade. Construction and construction-related jobs drove the local economy and their decline led to high unemployment rates and the closing of many small businesses. According to Moody's Analysis, at the peak in 2005, 9,922 single-family housing permits were issued. In 2009, the number was 624, rising to 1,027 in 2010 and approximately 1,900 in 2011. The decline in jobs, particularly construction and construction-related jobs drove the county's unemployment rate to 12.4 percent as of December 31, 2010. As of December 31, 2011, the rate was 10.3 percent. These rates are higher than the state of Florida overall, which reported unemployment rates of 10.9 percent and 9.7 percent, respectively for the same time periods. This indicates a need for activities that support job creation, job placement, and job training programs, and community services for low- and moderate-income persons and families. In 2012, the unemployment rate was 9.1 percent.

Banking competition within the assessment area continues to be intense. In addition to community and midsize banks, branches of the largest banks in the country operate in Miami-Dade County. As of June 30, 2012, there were 69 deposit taking financial institutions in Miami-Dade County operating 678 banking offices according to the Federal Deposit Insurance Corporation (FDIC). PNB had a deposit market share of 0.15 percent and was ranked 53rd. The Bank's domestic market share is much smaller when considering foreign deposits. 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.

Opportunities for community development lending, investments, and services in Miami-Dade County are good. Opportunities 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 are some local developers. They are either financed directly or through loan funds that rely on the participation of a group of local banks. 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 Enterprise Zones that share the same goal.

The impact of the mortgage crisis caused some community development organizations to change their focus from new construction to acquiring foreclosed properties, rehabilitating them, and then making them available for rent or for sale to low- and moderate-income persons or families. Some of these activities are funded through grants from the Neighborhood Stabilization Program (NSP) offered by the HUD, which were awarded to Miami-Dade County and the city of Miami. Banking activities related to the NSP are given positive consideration under community development.

Community development investment options are available. Mortgage-backed securities backed by mortgages to low- and moderate-income borrowers are an option either directly or through loan funds that make investments in mortgage-backed securities. Low Income Housing Tax Credits remain available. Miami-Dade County, the State, and the Region have community development financial institutions (CDFI) and private equity organizations that need support for their community development activities. Opportunities exist to contribute to 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. However, the extent of these activities has been impacted by the financial condition of some area banks.

We made one community contact with an organization that provides services to homeless people in Miami-Dade County that includes providing them with shelter, meals, and the resources to assist them with finding jobs and affordable housing. This contact and other prior community contacts with nonprofit organizations that provide services to low- and moderate-income people indicate that affordable housing is a critical need in the assessment area. Opportunities exist to provide financial literacy training in schools and in cooperation with local community organizations. This training could include homeownership, credit, foreclosure counseling, and information on general banking services to assist the un-banked population.

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. 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 purchased two mortgage-backed securities (MBS) in Miami-Dade County totaling \$5 million. The investments are backed with affordable multifamily housing. MBSs are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded. The Bank also had nine qualifying donations or grants totaling \$53 thousand. Some of the recipients included Habitat for Humanity of Greater-Miami (an affordable housing organization), Camillus House (an organization that benefits homeless people), and Chapman Partnership (an organization that benefits homeless people).

The Bank has one prior period investment that is a mortgage-backed security that continues to benefit its assessment area. The remaining balance totals \$30,236 and the security was 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.

PNB continues to hold a prior period investment that is outside the assessment area that benefits adjacent 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	\$5,000	0	\$5,000
Originated Grants	\$53	0	53
Prior-Period Investments that Remain Outstanding	\$30	\$1,636	\$1,666
Total Qualified Investments	5,083	\$1,636	6,719
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 4: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	12.50	4.02	16.52
Total Investments/Average Total Income	39.69	12.77	52.46

Community Development Lending

During the evaluation period, PNB originated seven community development loans totaling \$10.6 million in its assessment area. A substantial majority (99.53 percent) of community development loan dollars (\$10.5 million) supported multifamily affordable rental housing. When considering the number of loans, six, or 85.71 percent, were for affordable rental housing. One loan totaling \$50 thousand was a line of credit to a small business. A small business is defined as a business with revenues less than \$1 million. Some of the affordable housing properties include a 100-unit apartment complex in Homestead, Florida, located in a moderate – income geography, a 45-unit apartment in Miami, Florida, located in a moderate-income geography, and three apartment buildings with 85 units in Miami, Florida, located in a low-income geography.

PNB originated three community development loans outside its assessment area but in adjacent Broward and Monroe Counties. Two loans were in Broward County and one loan in Monroe County. The two loans in Broward County include four apartment buildings with 51-units located in a middle-income geography and a 106-unit apartment complex in an upper-income geography. The loan in Monroe County is a 56-unit apartment complex in an underserved or distressed middle-income geography.

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

Table 5a: Community Development Lending Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	25.94	5.76	31.70
Total CD Lending/Average Total Income	82.42	18.29	100.72
Total CD Lending/ Average Pass-Through Receivables	0	0	0

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 \$10.5 million, or 98.42 percent, was directed to facilitating affordable housing needs for low- and moderate-income families and individuals.

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

Community Development Services

Table 7: Community Development Service Activities

CD Service	Benefits AA	Outside AA
Community Partnership for the Homeless	X	
Kids and the Power of Work (KAPOW)	X	

X means yes; Blank means No

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

Community Partnership for the Homeless - this organization focuses on reintroducing homeless citizens to mainstream life. One bank officer serves as a member of the Board.

Kids and the Power of Work - this youth program 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 and two other bank staff participate in this program promoting work and banking principles.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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.

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.

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

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.

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total 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.