



Office of the
Comptroller of the Currency
Washington, DC 20219

WHOLESALE BANK

PUBLIC DISCLOSURE

May 6, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pacific National Bank
Charter Number: 20010

1390 Brickell Avenue, Miami, Florida 33131

Office of the Comptroller of the Currency

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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.

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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 (AA).

Description of Institution

Pacific National Bank (PNB) is an intrastate community bank headquartered in Miami, Florida. PNB operates in an AA that is Metropolitan Division (MD) 33124. The MD covers all of Miami-Dade County and is also part of the Metropolitan Statistical Area (MSA) 33100 that includes Miami-Dade, Broward, and Palm Beach counties. As of December 31, 2018, PNB had approximately \$462 million in total assets and is a full service commercial bank. In addition to the main office, the Bank has two branches located in the cities of Coral Gables and Aventura. The Bank has two automated teller machines (ATMs), with one at the main office and one at the Coral Gables branch

PNB is privately owned by the founders of Black Diamond Capital Management, LLC (BDCM), a private equity firm. 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, 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. On October 31, 2014, 100 percent of the Bank was sold to a group of U.S. private investors who are also the founders of BDCM.

PNB was approved for designation as a wholesale bank for purposes of the CRA on January 16, 1996. PNB offers traditional loan and deposit products and services to individuals and businesses. The Bank's business strategy focuses on commercial lending with a limited level of retail lending. Credit products include consumer, residential, small business, commercial, and commercial real estate loans. Deposit products include checking, savings, NOW, money market, and certificate of deposit accounts.

At the last CRA Performance Evaluation dated August 22, 2016, the Bank was rated "Outstanding". During the current evaluation period, there were no legal or financial circumstances that impeded the Bank's ability to meet the credit needs in its AA. The table below summarizes the Bank's financial condition.

Table 1: Financial Information (000s)

	Year-End 12/31/2016	Year-end 12/31/2017	Year-end 12/31/2018	Average for Evaluation Period
Tier 1 Capital	\$57,853	\$63,522	\$68,067	\$63,147
Total Income	\$17,758	\$19,588	\$ 19,103	\$18,816
Net Operating Income	\$4,054	\$5,571	\$1,914	\$3,846
Total Assets	\$455,666	\$442,657	\$ 461,945	\$453,423

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

Scope of the Examination

Evaluation Period/Products Evaluated

In evaluating the Bank's performance under the CRA, we reviewed CD activities from July 9, 2016 through December 31, 2018. We reviewed the level and nature of qualified investments, CD lending, and CD services that the Bank submitted for review.

For purposes of this evaluation, bank delineated AAs 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 AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area.

The Bank has adequately addressed the needs of its AA, and therefore, outside of AA qualified investments, CD lending, and CD services were considered in evaluating its performance.

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 and qualified investments in the state of Florida.
- 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 Florida.

Description of Assessment Area(s)

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

Miami-Dade County is a densely populated urban center. The following table illustrates the number and geographic designation of census tracts, families, and businesses in the AA.

Table 2: Miami-Dade County Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts***	518	5.79%	27.80%	28.96%	34.17%
Families	572,338	24.02%*	16.55%*	16.88%*	42.55%*
Businesses***	346,484	3.09%**	21.27%**	25.81%**	47.47%**

Source: Demographic Data – 2015 ACS, Dun & Bradstreet Data 2018. *Represents families by income level. **Represents businesses by income level of census tract. *** 3.28 percent of the geographies were none income designated. 2.37 percent of AA businesses were in no income- designated geographies. May not add to 100 percent due to rounding.

Community contacts indicate that the need for affordable housing is a critical need in the AA as well as capital for small businesses. Miami-Dade County was severely impacted by the housing crisis that began in 2006 and 2007 leading to the national recession that ended in 2009.

Recovery was slow, but for the past ten years, employment has improved, as well as home sales. The poverty level for the AA is high with 16.90 percent of the families living below the poverty level. According to the Bureau of Labor Statistics, the State of Florida and Miami-Dade County unemployment rates during the evaluation period have decreased as illustrated in the table below. Miami-Dade County’s unemployment rate continues to be higher than the state of Florida’s rate and generally higher than the national rate with the exception of December 2018.

Unemployment Rates			
	December 2016	December 2017	December 2018
United States	4.70	4.10	3.90
State of Florida	4.70	4.00	3.30
Miami-Dade County	5.20	4.30	3.50

United States Bureau of Labor Statistics

Given the economic improvements, housing and rental prices have increased. The 2015 Census estimates the median value of owner-occupied housing units in Miami-Dade County to be \$244,010. The rents are also high for rental properties in the AA. The median monthly gross rent is \$1,155.

The Federal Financial Institutions Examination Council (FFIEC) estimated a median family income of \$52,300 based on the American Community Survey (ACS) for the 2015 Census update. Considering the median family income and the high poverty level in the AA, LMI families have difficulty affording mortgage payments without subsidies given the high housing costs and added costs of insurance and taxes. Based on the median family income, low-income is considered less than 50 percent of the median family income, which would be an income of less than \$26,150 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 \$41,840. LMI renters, particularly low-income, also need rental subsidies to assist with rental payments. According to the 2015 ACS Census, 18.39 percent of households spend more than 30 percent of their income on mortgage payments, and 24.09 percent of households spend more than 30 percent of their income on rental payments.

According to Dunn and Bradstreet, as of June 2018, there were 346,484 non-farm businesses in the AA, of which 90.63 percent are considered small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73.28 percent) of all non-farm businesses are concentrated in the county's middle- and upper-income geographies. Major industries include healthcare, real estate development, trade business with Latin America, and tourism. The five largest employers in the AA include Publix Super Markets (38,241 employees), Baptist Health South Florida (16,191 employees), University of Miami (14,664 employees), Tenet Health Corporation (12,170 employees), and Jackson Health System of Miami (11,410 employees).

The banking industry in the AA is very competitive for loans, deposits, and investments, as well as CRA CD opportunities. There are several branches of nationwide and regional banks, local community banks, credit unions, and other nonbank financial service providers. The top five small business lenders in the AA hold a large lender market share of 78.63 percent and are credit card banks with a nationwide presence and an average loan size of \$12,000. These lenders are American Express; Citibank, National Association (NA); Bank of America, NA; Chase Bank, NA; and Wells Fargo Bank, NA.

A review of June 30, 2018 Deposit Market Share data from the Federal Deposit Insurance Corporation (FDIC) indicates that the five largest deposit market share institutions (Bank of America, NA; Wells Fargo, NA; Citibank, NA; J.P. Morgan Chase, NA; and City National Bank of Florida) operating in the AA hold 51.95 percent of the AA deposits. Four of the top five banks have a nationwide presence and one is a local community bank. These five institutions

have 286 offices within the AA. In total, there are 63 banks in the AA with 649 offices. PNB’s deposits in its AA totaled approximately \$323.8 million for a deposit market share of 0.25 percent and ranked 45th out of the 63 financial institutions.

Investment opportunities are highly competitive with banks purchasing investments to support affordable housing for LMI individuals/geographies and small business lending. Many community banks tend to purchase mortgage backed securities with home mortgages to LMI people or loans in LMI geographies, affordable housing multifamily properties, or Small Business Administration loan pools in their AAs. The opportunity to make donations/grants to qualifying organizations that have missions that support the CRA CD purpose are available. CD lending opportunities are available in the AA including opportunities to partner with nonprofit organizations that have a CD mission or purpose. There are numerous nonprofit organizations located in the AA that provide various services to LMI people or small businesses, such as affordable housing opportunities, financial literacy training, support for economic development activities, and more.

Conclusions About Performance

Summary

Based on a full-scope review of the AA, the Bank’s performance in Miami-Dade County is excellent considering the size and capacity of the Bank. The institution has a significant level of qualified CD loans and investments/grants. The Bank rarely uses innovative or complex qualified investments, which has a neutral impact on the Bank’s performance. The Bank exhibits excellent responsiveness to credit and community economic development needs.

Qualified Investments

Table 3b: Qualified Investment Activity (000s)

	Benefits AA**
Originated Investments	5,958
Originated Grants	59
Prior-Period Investments that Remain Outstanding	0
Total Qualified Investments	6,017
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	9.53
Total Investments/Average Total Income	31.98

* 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 the AA needs, given the Bank’s size and capacity to provide such investments and the level of opportunities in the AA, Miami-Dade County. Affordable housing options and small business lending are pressing needs in the AA, and the Bank has addressed these needs during the evaluation period. The Bank has two qualified investments in the AA that are collateralized by multi-family, affordable housing properties. The outstanding balances on the investments total approximately \$6 million. The Bank provided an additional \$59,000 in donations and grants to qualifying non-profit organizations, such as the Chapman Partnership that supports homeless people and other qualifying organizations.

CD Lending

Table 5a: CD Lending Percentages

	Benefits AA (%)*	Outside AA (%)**
Total CD Lending/Average Tier 1 Capital	32.37	16.74
Total CD Lending/Average Total Income	108.64	56.18

* 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.

The Bank has exhibited an excellent responsiveness to credit and CD needs in its AA through making loans supporting affordable housing and financing small businesses. During the evaluation period, the Bank originated 18 CD loans in the AA. These loans totaled \$20.4 million. PNB originated 12 CD loans for affordable housing, two loans to revitalize and stabilize a low-income geography and a metropolitan urban zoning district, and four loans to small businesses (defined as having revenues of \$1 million or less).

The Bank originated two CD loans outside of the AA. These loans totaled approximately \$10.6 million and were in Broward and Lee counties. They were originated to finance the purchase of a 129-unit apartment property and a 24-unit apartment building respectively. Both loans support affordable housing.

CD Services

During the evaluation period, PNB participated in an adequate level of CD services that were responsive to the affordable housing needs and provided services to homeless people in the AA. Noteworthy examples include the following:

Chapman Partnership – A non-profit 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. The average length of stay for single adults is 89 days and families with children is 133 days. PNB 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 President Carlos Fernandez-Guzman serves as the Chairman of the task force.

Appendix A: Summary of MMSA and State Ratings

RATINGS	PACIFIC NATIONAL BANK
Overall Bank:	Overall Bank Rating
Pacific National Bank	Outstanding
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 AA.

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 AA.

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.