



WHOLESALE

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

August 14, 2006

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)
9800 Northwest 41st Street Suite 120
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 a high level of community development lending, community development services, and qualified investment activity.
- The bank demonstrates occasional use of innovative or complex qualified investments and community development loans.
- 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 March 19, 2001, the date of the last CRA evaluation, through August 14, 2006. We reviewed the level and nature of qualified investments, community development lending, and community development services.

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 institution's business plan remained basically unchanged, focusing on providing U. S. dollar deposits, trade financing, and other loans to persons or entities whose principal residence or place of business is Ecuador. In order to meet its obligations under the CRA and take advantage of staff expertise, the bank developed a plan to focus on lending to qualified community development corporations (CDCs) for the construction of housing affordable to low- and moderate-income families and individuals, rather than direct residential mortgage lending. In 2005, the bank began to rely less on trade financing activities and expand its real estate lending activities.

As of June 30, 2006, PNB had total assets of \$344 million and a loan portfolio of \$90 million. Deposits totaled \$309 million. According to bank records, 84% of deposits continue to come from Ecuadorian depositors. Of the total loan portfolio, 37% represents commercial real estate, farm, and construction loans, 19% represents loans to foreign businesses, 17% represents residential real estate loans (1 to 4 family), 13% represents multi-family residential real estate loans, 9% represents other loans including consumer credit, and 4% represents business loans to domestic borrowers.

The origination of residential mortgage loans and small loans to businesses is incidental to the bank’s overall operation. Residential mortgages are generally provided to Ecuadorian customers purchasing a second home in the United States. In 2005, the bank purchased a small number (31) of residential mortgage loans however the purpose was to enhance the bank’s overall loan portfolio. The bank does originate and purchase a small number of multi-family housing loans, but this effort is directed towards CRA obligations. These loans are largely in low- and moderate-income geographies and provide affordable rental housing to low- and moderate-income families and individuals (see the discussion under Community Development Lending).

PNB was approved for designation as a wholesale purpose bank for purposes of the CRA on January 16, 1996. At its last CRA evaluation, dated March 19, 2001, the bank was rated “Satisfactory”.

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

Table 1: Financial Information (\$000s)

	Year-end 2001	Year-end 2002	Year-end 2003	Year-end 2004	Year-end 2005	Most Recent Quarter-end 06/30/2006	Average for Evaluation Period
Tier 1 Capital	20,273	21,638	23,566	28,184	32,225	34,845	26,788
Total Income	13,772	11,680	12,793	15,185	18,828	10,849**	13,851
Net Operating Income	1,117	1,365	1,928	4,615	4,040	5,240**	3,050
Total Assets	173,586	238,261	296,057	340,689	367,873	344,260	293,454

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

Description of Assessment Area

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

The Miami-Dade MD is a densely populated urban center. According to the 2000 Census, the total population is approximately 2.3 million people, residing in a nearly 2 thousand square mile area. The City of Miami, located entirely in the Miami-Dade MD, represents approximately 16% of the MD population and 23 percent of the MD’s census tracts. However, a disproportionately large portion of the City is categorized as low- and moderate-income with approximately 40% of the MD’s low- and moderate-income census tracts being located in the City. Based on the 2000 Census, the City of Miami

is considered the poorest large city in the United States. Eighteen percent of the MD population lives below the poverty level. However, in some sections of the City of Miami, the poverty rate exceeds 40%.

Housing costs are high in the Miami-Dade MD. As of February 2005, the Florida Association of Realtors estimated the median sales price of an existing single-family home in the Miami-Dade MD area to be \$310,000. At the same time in 2004, the median price was \$232,000. When compared with a HUD Adjusted Median Family Income of \$45,700 for 2004 it is clear that the unsubsidized purchase of an average single-family residence would be beyond the financial means of many individuals classified as low- and moderate-income. The 2005 housing costs represent an increase of 25% between 2003 and 2005. The HUD Adjusted Median Family Income rose to \$48,300 in 2006, but housing costs have declined only slightly.

The MD’s economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism and banking. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with a distinct advantage as a global trading center. There are many service businesses in the area and in the extreme southern portion of the MD agriculture is a major industry.

The table below provides additional detailed demographic information about the assessment area.

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	209,400	5.27%**	22.49%**	32.39%**	39.42%**

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

**Represents businesses by income level of census tract.

There are a wide range of opportunities for community development lending, investments, and services throughout the Miami-Dade MD. However, larger institutions are quite competitive for the qualified investments that are available. Community development opportunities include working with and providing financing to the numerous organizations whose mission is to provide affordable housing and/or community services for low- and moderate-income persons, as well as organizations with a mission of economic development. There is a federally designated Enterprise Zone that targets economic development with the goal of stimulating and retaining jobs. According to the City of Miami’s 2004-2009 Consolidated Plan submitted to the Department of Housing and Urban Development (HUD), the city has targeted eight distressed neighborhoods as Neighborhood Development Zones (NDZs). In addition, there are 20 areas designated as Targeted Urban Areas (TAU) that are the focus for the Urban Economic Revitalization Plan for Miami-Dade County. Types of community development investments available in the MD include, but are not limited to, tax credit purchases for low- and moderate-income housing, participation in numerous local Community Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs), and opportunities to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing, community services for low- and moderate-income persons, and economic development.

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. We also reviewed the City of Miami’s 2004-2009 Consolidated Plan, as submitted to the U.S. Department of Housing and Urban Development (HUD). For this examination, we

conducted a community contact with a non-profit community organization operating in Miami whose mission is to provide decent affordable housing for low- and moderate-income families.

The most critical identified credit need in the assessment area was found to be financing for the construction or purchase of housing that is affordable to low-and moderate-income families and individuals. The need exists for both rental and owner-occupied housing units. There is also a stated need for financing for small start-up businesses, and loans for the revitalization of designated low- and moderate-income neighborhoods.

Conclusions About Performance

Summary

Qualified Investments

During the evaluation period, the bank originated investments totaling \$754,000, as shown in Table 3 below. There were six current period investments within PNB’s assessment area totaling \$598,000. Three investments, totaling \$285,000, are deposits in minority-owned financial institutions operating in the Miami-Dade assessment area. These deposits enhance the minority-owned institution’s ability to meet community credit needs by lending in the assessment area. Another investment, totaling \$303,000 is a security backed by mortgages to four low- and moderate-income borrowers. Mortgage-backed securities are important because they provide needed liquidity to lending institutions so that additional mortgages can be funded. Also, the bank made two operating capital investments in a non-profit community development corporation (CDC), in which it participates as a member of the lending consortium. The CDC’s primary mission is to finance the construction of housing that is affordable to low- and moderate-income individuals and families.

The bank has a prior period investment that represents an equity investment in a limited partnership with an assessment area CDC. The partnership agreement allows for the bank’s investment to be used exclusively to acquire and rehabilitate affordable rental housing in the Little Haiti neighborhood of Miami. The initial project was the rehabilitation of a 14-unit apartment complex. Partnership funds have a continuing impact as the CDC initiates other projects.

The bank’s out of assessment area investment represents a donation to assist in relief efforts outside of Miami-Dade County.

Table 3: Qualified Investment Activity (\$000s)

	Benefits AA	Outside AA	Totals
Originated Investments	598	0	598
Originated Grants	0	1	1
Prior-Period Investments that Remain Outstanding	155	0	155
Total Qualified Investments	753	1	754
Unfunded Commitments*	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 current period investments are not considered innovative or complex, and are routinely provided by private investors. However, the bank’s organization of and participation in the limited partnership discussed above continues to be innovative.

PNB’s investments are responsive to community needs. Directly or indirectly, all of the bank’s investments help to meet the critical need for affordable housing in the Miami-Dade County assessment area.

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

Table 4: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	2.81	0	2.81
Total Investments/Average Total Income	5.44	0	5.44

Community Development Lending

During the evaluation period, PNB originated or purchased 49 community development loans totaling \$36.7 million. Of these loans, 42 (86%) loans representing \$33.9 million (93%) were originated within the bank’s assessment area.

The majority (86%) of assessment area community development loan dollars (\$29 million) helped to meet affordable housing needs. Affordable housing is the most pressing need in the bank’s assessment area. Of the affordable housing loan dollars, slightly more than half of the funds (\$16 million) represent originations and renewals of loans associated with the construction of 45 owner-occupied affordable housing units in a low-income tract in the Little Havana neighborhood of Miami. Developed by a neighborhood CDC, this complex transaction was also financed in part by Miami-Dade County Surtax funds and affordable housing grants from the City of Miami and Miami-Dade County. In addition, PNB acts as the lead bank and participated approximately 66% of the total loan activity for the project to two other banks and a national CDC specializing in financing affordable housing construction, adding to the complexity of the transaction.

Approximately 38% (\$10.2 million) of assessment area affordable housing community development loan dollars helped to provide 425 units of affordable multi-family rental housing units in low-and moderate-income geographies. These 11 loans were either originated or purchased by the bank and provided housing for low- and moderate-income individuals and families.

Also of note are eight affordable housing loans totaling \$908,000 that represent the bank’s participation in a loan consortium sponsored by a South Florida CDC, specializing in financing the construction of affordable housing. The CDC provides financing, through a loan consortium, to affordable housing developers who are constructing housing targeted to low- and moderate-income individuals and families. These developers frequently use Low Income Housing Tax Credits as part of the overall financing package. The loans in which the bank is participating are helping to make at least 1,293 affordable housing units available in Miami-Dade County, the majority of which are rental units.

Also included in the bank’s assessment area affordable housing community development loan total are two loans (\$1.2 million) to a non-profit organization that provides affordable housing to elderly low-and moderate-income residents. The facility, located in a moderate-income geography, provides 38 beds for mentally-ill persons and is primarily financed by state social service funding. The remaining affordable housing loans (\$696,000) were to three different CDCs to help construct or rehabilitate 110 units of housing affordable to low-and moderate-income individuals and families.

Approximately 8% (\$2.8) of assessment area community development loan dollars helped to revitalize and stabilize low-and moderate-income geographies. Two of the five revitalization and stabilization loans (\$2.1) were for the purchase and rehabilitation of a hotel located in a moderate-income geography of the Miami Beach Redevelopment Zone. The project brought new jobs and business to the zone. The remaining three loans were to businesses operating in low- or moderate-income geographies for the purpose of maintaining or increasing available job opportunities.

The remaining assessment area community development loan dollars (\$2.1) helped a not-for-profit provide mental health services to low- and moderate-income persons in Miami. The organization operates almost entirely (98%) on Medicaid funding and donations.

Outside PNB’s assessment area, community development lending totaled \$2.7 million (7 loans). All out of assessment area lending met affordable housing needs. Four loans, totaling \$344,000, were in neighboring Broward or Monroe Counties and were part of the bank’s affordable housing loan consortium participation discussed above. The other loans, totaling \$2.3 million represent multi-family housing loans in Broward County purchased by the bank. The financed buildings, located in low- and moderate-income geographies, provide 63 rental units affordable to low-and moderate-income individuals and families.

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	121.96	10.07	132.03
Total CD Lending/Average Total Income	235.87	19.48	255.35

PNB’s community development lending activities are highly responsive to the affordable housing need that is primary among the credit needs in the bank’s assessment area. Of the bank’s total community development lending (\$36.7 million), a total of \$31.7 million or 86% of loans were directed to meeting affordable housing needs for low- and moderate-income families and individuals. In addition, several of the bank’s community development loans were to CDCs. For an institution the size of PNB, this type of financing is considered complex because of the multiple layers of financing and grants necessary to make the projects affordable. In addition, for the largest project, the bank took a leadership role, and acted as the lead bank for the loan participation previously discussed, adding to the complexity of the overall transaction.

Community Development Services

During the evaluation period, PNB directors and officers provided community development services to six qualified community organizations within the bank's assessment area. The majority of these organizations have as their primary mission the development and retention of affordable housing for low- and moderate-income individuals and families. These activities are highly responsive, since affordable housing is the most critical need in the bank's Miami-Dade County assessment area. The bank's community development services are considered neither innovative nor complex.

Two Directors share their financial expertise and provide technical assistance to a nationally known non-profit organization operating in Miami that builds affordable homes for low- and moderate-income families. During the evaluation period, PNB directors served on the non-profit's board of directors, executive committee, and home-buyer selection committee. In addition, a director teaches a monthly financial literacy program for the organization's constituents.

PNB is also represented on the board of directors of a non-profit CDC operating in the low-and moderate-income Little Havana neighborhood of Miami. The CDC has as its primary mission the construction of owner-occupied housing units that are affordable to low- and moderate-income families. The organization also provides home buyer education programs for its constituents.

Another bank director is also a member of the board of directors of a non-profit organization that provides emergency housing facilities to low-income homeless individuals. The facilities, located in the City of Miami, are a first step in identifying and assisting in locating long-term affordable housing. In addition, a bank officer serves as a director of a South Florida CDC that provides financing to affordable housing developers primarily for the construction of rental housing for low- and moderate-income individuals and families. Funding is provided by a consortium of local banks organized by the CDC.

Also, a PNB board member is a member of the board of directors of two non-profit organizations providing community services to primarily low- and moderate income individuals and families. Services provided include, job training, literacy classes, social service referrals, and legal services. Finally, the bank participated with the Miami-Dade County Public Schools in 2001 and again in 2003 by providing a paid summer internship for a student receiving a School-to-Career grant to attend the Schools of Choice program.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

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.

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.

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)”*]

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”*]