PUBLIC DISCLOSURE

October 1, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pan American Bank
Certificate Number: 20448

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Los Angeles, California 90063

Federal Deposit Insurance Corporation
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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 be construed as, an assessment of the financial condition of the 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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of ***Pan American Bank (PAB)*** *prepared by the* ***Federal Deposit Insurance Corporation (FDIC)****, the institution's supervisory agency, as of* ***October 1, 2012****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory.**

PAB's record of helping to meet the credit needs of its assessment area (AA), including LMI neighborhoods, demonstrates adequate responsiveness consistent with its resources and capabilities. PAB's CRA performance is supported by the following:

- The bank's lending activity during the review period is too nominal to draw meaningful conclusions regarding the AA concentration, geographic distribution, and borrower profile of lending activity; therefore, these criteria were not rated.

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities), given the institution's size, financial condition, and AA credit needs.

- The institution has not received any CRA-related complaints since the prior evaluation; therefore, this component was not considered in the institution's CRA Rating.

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

Since the prior Performance Evaluation (PE), the institution continues to face legal and financial impediments, which have restricted the bank's ability to lend. It is noted that the overall volume of lending is low, which was affected by the bank's decreasing capital levels and focus on improving problem assets.

SCOPE OF EVALUATION

PAB was evaluated using small bank examination procedures. A small bank is an institution that as of December 31 of either of the prior two calendar years had assets of less than $1.160 billion. The institution received a "Satisfactory" rating at the last CRA PE dated November 17, 2008.

The current evaluation was conducted at the institution's headquarters in Los Angeles, California. Examiners relied on records and reports provided by the institution, publicly available loan and financial information, demographic information, and information gathered as part of the examination process. Examiners evaluated PAB's CRA performance in the context of the following points:

- The current economic environment
- The bank's product offerings and business strategy
- The demographic characteristics of its AA
- Lending opportunities within its AA
- Information derived from community contacts
- The bank's financial resources and constraints

As of June 30, 2012, residential real estate loans comprised 69.3 percent of the bank's loan portfolio, commercial loans comprised 18.5 percent, consumer loans comprised 12.1 percent, and multi-family loans comprised 0.4 percent. The bank does not offer small farm loans. Although PAB originates commercial loans targeted at small- to medium-sized businesses, the bank originated an immaterial amount during the review period. In 2010, the bank made 13 small business loans totaling $3.4 million, and in 2011 the bank made 5 small business loans totaling $1 million. In addition, PAB ceased auto lending in 2011 due to a change in the bank's business strategy. As a result, consumer loans were not used for this CRA PE. For these reasons and given the bank's loan portfolio composition, residential real estate loans were the focus for this CRA PE.

Loans reported pursuant to Home Mortgage Disclosure were the focus of the lending test. The lending review period included the calendar years of 2010 and 2011. During the review period of January 1, 2010, through December 31, 2011, the bank originated a total of 22 HMDA purchase, refinance, and home improvement loans totaling $3.7 million in 2010, and 4 loans totaling $1 million in 2011. This represents a decline over the prior evaluation lending levels of 34 loans totaling $9.5 million from January 1, 2007, through October 31, 2008. Due to financial and legal constraints, PAB's lending levels significantly decreased on an annual basis, from 22 loans totaling $3.7 million in 2010 to 4 loans totaling $1 million in 2011.

The evaluation of the bank's lending performance focuses on the number of loans originated within the bank's AA, since displaying the dollar volume would not change the overall conclusions.

There are no similarly situated financial institutions based on business strategy, loan portfolio composition, branching, or financial capacity from which to draw sound comparisons. Nonetheless, two financial institutions with similar location and asset size were considered under the LTD ratio test; however, minimal weight was placed on these institutions for comparison purposes.

The overall lending performance by number and dollar volume is too nominal for a meaningful analysis for the AA concentration, geographic distribution, and borrower profile elements of the small bank lending test. Refer to details under each specific criterion.

DESCRIPTION OF INSTITUTION

PAB is an independently owned financial institution established in 1968. The bank is a minority depository institution headquartered in Los Angeles, California, in a moderate-income census tract (CT). In addition to the bank's headquarters, PAB operates two additional full-service branch offices in California: another branch office located in Los Angeles and situated in a moderate-income CT, and a branch office located in Santa Ana and situated in a low-income CT. No branches have opened or closed since the prior evaluation. The bank does not have any subsidiaries or affiliates.

PAB's principal business strategy is serving the credit and deposit needs of its community by primarily offering residential real estate loans to consumers. The bank has one automated teller machine (ATM) located at the bank's headquarters; since the prior examination, it also operates one full-service ATM at a non-profit center kiosk in East Los Angeles, and three dispense-only ATMs within the AA. The bank does not offer debit cards. The bank provides its customers with traditional banking products, such as residential and commercial real estate loans and consumer-related personal loans. The institution also offers a variety of demand and savings deposit products. The products are provided at the bank's main and branch offices and through alternative delivery systems, such as telephone banking and night depository services. PAB maintains an informational only website. Management indicated that in the coming year it plans to diversify its lending through implementing a Small Business Administration (SBA) platform so that it may begin to offer SBA loans to small business and owner-occupied organizations.

The hours of operation and availability of products and services are tailored to the convenience and needs of the bank's customers. PAB's hours of operation at all three locations are Monday through Thursday from 9:00 a.m. to 5:00 p.m., Friday from 9:00 a.m. to 6:00 p.m., and Saturday from 9:00 a.m. to 2:00 p.m.

Based on the June 30, 2012, Call Report, PAB reported total assets of $40.3 million, of which total loans net of unearned income are approximately $32.5 million, or 80.6 percent of total assets. Total deposits are reported as $35.9 million. Total equity capital is $4.1 million and represents 10.3 percent of total assets. Table 1 details the composition of the bank's loan portfolio based on the June 30, 2012, Call Report:

Table 1 – Loan Portfolio Distribution as of June 30, 2012

Loan Type	Dollar Volume (000)	Percentage of Total Loans
Construction and Land Development	0	0.0
Secured by Farmland	0	0.0
Revolving Open-end 1 to 4 Family Residential	146	0.4
Closed-end 1 to 4 Family Residential First Lien	22,135	68.2
Closed-end 1 to 4 Family Residential Junior Lien	357	1.1
Multi-family Residential	141	0.4
Commercial Real Estate	3,792	11.7
Total Real Estate Secured	**26,571**	**81.8**
Loans to Finance Agricultural Production	0	0.0
Commercial and Industrial Loans	2,201	6.8
Consumer Credit Cards	0	0.0
Other Consumer Revolving Loans	0	0.0
Closed-end Consumer Loans	3,917	12.1
Obligations of States and Political Subdivisions	0	0.0
Other Loans	0	0.0
Less: Any Unearned Income on Loans	(228)	(0.7)
Total Loans	**32,461**	**100.0**

Source: June 30, 2012, Call Report

The bank's capital levels decreased sharply in 2011 compared to prior years, making it difficult for the bank to lend. In 2011, the bank had $747,000 in capital compared to $3,082,000 in 2010. The bank is also operating under a formal enforcement action, presenting legal and/or financial impediments, which have prohibited the bank from certain lending activities. The formal enforcement action has caused the bank to focus on improving problem assets, also making it difficult to originate new loans.

No CRA-related complaints have been received since the prior evaluation.

DESCRIPTION OF THE INSTITUTION'S ASSESSMENT AREA

PAB has designated its AA to include portions of the Los Angeles-Long Beach-Glendale, CA Metropolitan Statistical Area (MSA) #31084 and portions of the Santa Ana-Anaheim-Irvine, CA MSA #42044. The Los Angeles and Orange Counties are wholly contained within the Los Angeles-Long Beach-Riverside, CA Combined Statistical Area (CSA) #348 (Los Angeles CSA AA) and combined for purpose of the analysis. In February 2009, PAB expanded its AA from

101 CTs to 329 CTs in an effort to better capture the bank's deposit taking and lending service area. The AA meets the technical requirements of CRA and does not arbitrarily exclude LMI neighborhoods.

Demographic Data

The AA contains 329 CTs. Low-income CTs account for 8.2 percent and moderate-income CTs account for 56.8 percent of the total number of CTs in the AA. The total population of the AA, according to the 2000 U.S. Census is approximately 1,635,418. The weighted average of the AA's median family income (MFI) was $39,986, according to the 2000 U.S. Census. The 2011 weighted average of the Department of Housing and Urban Development (HUD) MFI was $68,359. The HUD MFI is used to determine the income level for each CT when evaluating the borrower profile criterion.

According to the 2000 U.S. Census, there are 433,691 total housing units in the bank's AA. Of the total number of housing units, 43.5 percent are owner-occupied, 53.4 percent are rentals, and 3.1 percent are vacant. Single-family housing units, 1 to 4 families, comprise 75.4 percent of the total housing units.

Table 2 depicts the demographics of the bank's AA:

Table 2 – Demographic Information for Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Census Tracts	329	8.2	56.8	28.3	6.7	0.0
Population by Geography	1,635,418	9.3	54.7	29.2	6.8	0.0
Owner-Occupied Housing Units by Census Tract Income Level	188,536	3.9	41.4	40.2	14.5	0.0
Businesses by Census Tract Income Level	123,814	7.6	45.4	35.8	11.2	0.0
Families by Income Level	342,452	8.0	52.5	31.1	8.4	0.0
Families by Census Tract Income Level	342,452	31.0	21.7	19.9	27.4	0.0
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		$39,986 $68,359 17.5%	Median Housing Value		$177,016	
Source: 2000 U.S. Census; 2011 D&B; HUD						

Economic Data

<u>Los Angeles County</u>

According to August 2012 Moody's Analytics data, Los Angeles County's recovery has improved in recent months. Gains in leisure and hospitality, entertainment, and business services have strengthened payroll growth enough to offset declining film production. Job gains and a still-contracting labor force have pushed the unemployment rate below 12 percent. Housing market conditions are also improving. Rising housing sales have helped to push prices higher, and the number of construction permits is edging upward.

Los Angeles County's strengths include new investments by international companies in high-value-added industries and global links through entertainment, tourism, and fashion.
The top five employers include the University of California Los Angeles, Kaiser Permanente, Northrop Grumman, University of Southern California, and Target. The largest employment sector is government, which makes up approximately 15 percent of total employment, followed by professional and business services at approximately 14 percent.

Orange County

According to August 2012 Moody's Analytics data, Orange County's recovery has improved as many of its core industries have regained momentum. Gains in construction and finance have more than offset declines in manufacturing and local government. As a result, Orange County's unemployment rate has dropped below eight percent. Real estate is improving with increases in house prices and home sales.

Orange County's strengths include infrastructure for technology and research and development and deepening international trade links, particularly with major technology companies. The top five employers include Walt Disney, University of California, Irvine, St. Joseph Health System, Boeing, and Yum! Brands. The largest employment sector is professional and business services, which makes up 18 percent of total employment, followed by leisure and hospitality services at approximately 13 percent.

Competition and Market Share Profile

The bank operates in a highly competitive market. According to the June 30, 2012, Deposit Market Share Report, the AA is home to 150 institutions operating 24,200 offices. PAB competes with several institutions, under different regulatory charters, for deposits and loans. Large financial institutions with local offices in the AA include Bank of America NA, Wells Fargo Bank NA, Union Bank NA, JPMorgan Chase Bank NA, and Citibank NA. PAB is ranked 134th with a deposit market share of 0.01 percent.

Community Contacts

During the evaluation, examiners reviewed two community contacts to determine the credit needs in the bank's AA. There was one community contact from Los Angeles County and one from Orange County. One contact stated that current economic conditions have primarily affected low-income individuals who are under-employed and have limited access to education, employment, or advancement opportunities. There are very limited options for individuals with poor credit or limited income with respect to banking services from major financial institutions. Credit is currently limited to high interest credit cards and prepaid debit cards with high fees. The contact stated that there is a need for first-time homeowner programs with minimal restrictions and reduced fee checking accounts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities), given the institution's size, financial condition, and AA credit needs. The bank's average net LTD ratio for the preceding 15 quarters is 88.5 percent. During the review period, the bank's LTD ratio ranged from a low of 84.7 percent as of June 30, 2012, to a high of 93.9 percent, as of September 30, 2010.

There are no similarly situated financial institutions based on business strategy, loan portfolio composition, branching, or financial capacity from which to draw sound comparisons. Nonetheless, examiners identified two institutions with similar asset size and location. Table 3 details the LTD ratios for PAB and the two institutions. PAB's LTD ratio ranks higher when compared to the two peer banks listed below.

Table 3 – Loan-to-Deposit Ratio Comparison

Institution	Ratio Since 12/31/2008	Ratio Over Last 4 Quarters
Pan American Bank	88.5%	87.5%
Peer Institution 1	61.6%	58.5%
Peer Institution 2	75.0%	59.5%

Source: Consolidated Reports of Condition and Income

Assessment Area Concentration

Overall, PAB's lending activity during the review period is too nominal to form meaningful conclusions regarding the AA's concentration of lending, geographic distribution of lending, and borrower profile; therefore, these criteria were not rated. The bank's lending was minimal due to sharp decreases in capital levels. The bank's capital fell from $5,217,000 in 2007 to $747,000 in 2011. The lack of capital significantly impacted the bank's ability to lend. The bank is also under a formal enforcement action, causing a shift in the bank's focus to improving problem assets.

PAB originated 7 of 22 loans within the AA in 2010, or approximately 32 percent by number and 25 percent by dollar volume. In 2011, PAB originated 0 of 4 loans within the AA, or 0 percent by number and dollar volume. Although the bank did not originate a majority of the loans within the AA, most of the loans were only a few miles outside of the AA.

Geographic Distribution

Home mortgage lending levels in 2010 and 2011 are too nominal to form a meaningful analysis as the bank only made 7 loans for $904,000 within the AA in 2010, and no loans within the AA in 2011. Of the seven loans made in 2010, six were in a moderate-income CT, and one in an upper-income CT. In 2010, the bank made no loans in LMI CTs. As mentioned above, the minimal capital levels and outstanding formal enforcement action hampered the bank's ability to lend. As a result of the nominal level of lending, no meaningful conclusions can be derived from the analysis.

Borrower Profile

Home mortgage lending levels in 2010 and 2011 are too nominal to form a meaningful analysis. Of the seven loans made in 2010, three were extended to moderate-income borrowers, one to a middle-income borrower, and three to upper-income borrowers. In 2010, the bank made no loans to low-income borrowers. As mentioned above, the minimal capital levels and outstanding formal enforcement action hampered the bank's ability to lend. As a result of the nominal level of lending, no meaningful conclusions can be derived from the analysis.

Response to Complaints

The bank has not received any CRA-related complaints since the prior evaluation; therefore, this criterion was not evaluated.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. CTs usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. 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 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.

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, home equity 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 nonrelatives 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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A CT 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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 (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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**.**

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 community development.

Rated area: A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan 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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.