

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

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	)	
In the Matter of	)	
	)	CONSENT ORDER
PAN AMERICAN BANK	)	
LOS ANGELES, CALIFORNIA	)	FDIC-13-078b
	)	
(INSURED STATE NONMEMBER BANK)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Pan American Bank, Los Angeles, California (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q)(3). The California Department of Financial Institutions (“CDFI”) is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), dated February 28, 2013, that is accepted by the FDIC and the CDFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to management, capital, and violations of law to the issuance of this Consent Order (“Order”) by the FDIC and the CDFI pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the California Financial Code (“CFC”).

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and CFC have been satisfied, the FDIC and the CDFI hereby order that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following: (i) a chief executive officer (“CEO”) with proven ability in managing a Bank of comparable size and risk profile; (ii) a chief financial officer (“CFO”) with proven ability in all aspects of financial management; and (iii) a chief credit officer (“CCO”) with significant lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Board of Directors (“Board”) to implement the provisions of this Order.

(b) Within 120 days of the effective date of this Order, the Bank shall submit to the FDIC and CDFI qualified candidates for the position of CFO, and for membership to the Board of Directors. The Bank shall maintain the number of Board members to comply with the Bank’s By-laws and CFC Section 1171.

(c) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this Order;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(d) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the California Department of Financial Institutions ("Commissioner") in writing when it proposes to add or replace any individual on the Board, or employ any individual to serve as a senior executive officer, or change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position. The term "senior executive officer" shall have the same meaning ascribed to it in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101. The notification shall include a completed Interagency Biographical and Financial Report and Interagency Notice of Change in Director or Senior Executive Officer and must be received at least 30 days before the addition, employment or change of responsibility that is intended to become effective. The Bank shall not appoint any individual to the Bank's Board of Directors or employ or change the responsibilities of any individual as a senior executive officer until written notice of non-disapproval from the Regional Director and Commissioner is received.

2. The Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include board meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; budget variances; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; liquidity and funds management activities; operating policies; and individual committee actions. The Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. The Board shall increase the independence and effectiveness of the audit function by holding Audit Committee meetings at least bi-monthly without management's presence; ensuring that all audits are conducted in accordance with the Bank's risk assessment; ensuring timely and complete responses to all audits and examinations of the Bank; and that management be held accountable for failing to provide appropriate corrective action. In addition, a written Whistleblower program shall be developed and implemented within 90 days of the effective date of this Order. Such changes to the audit function and their implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

4. During the life of this Order, the Bank shall have and maintain a written Strategic Plan ("Plan") that addresses goals, plans and operating strategies for the Bank. Such Plan shall include specific goals for operating results and types of business the Bank expects to transact. Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the Plan and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

5. (a) Within 120 days from the effective date of this Order, the Bank shall increase and maintain its Tier 1 leverage capital in such an amount to equal or exceed 10 percent.

(b) The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's ALLL.

(c) If all or part of the increase in capital required by this Order is accomplished by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with all applicable State and the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted for review to the FDIC, Registration, Disclosure and Securities Unit, 550 17<sup>th</sup> St. N.W., Washington, D.C. 20429, and to the Commissioner to obtain any and all necessary authorizations, permits or other approvals. Any changes requested by the FDIC or the Commissioner shall be made prior to dissemination. If the increase in capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(d) In complying with the provisions of this paragraph, and until the offering is closed, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10

days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

6. (a) Within 30 days from the effective date of this Order, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" in the joint FDIC and CDFI Report of Examination dated July 23, 2012 ("ROE") that have not been previously collected or charged off.

(b) Within 180 days from the effective date of this Order, the Bank shall reduce assets classified "Substandard" and "Doubtful" in the ROE by 50 percent.

(c) Within 240 days from the effective date of this Order, the Bank shall reduce assets classified "Substandard" and "Doubtful" in the ROE by 70 percent.

Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

7. Within 90 days from the effective date of this Order, the Bank shall develop and adopt a plan to restore the Bank to profitability. The plan shall be in the form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

8. Within 60 days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law, as more fully set forth in the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

9. Within 90 days of the effective date of this Order, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate

internal routine and control policies consistent with safe and sound banking practices. This policy must include the certification of all general ledger accounts on at least a monthly basis. Such policy and implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

10. Within 90 days of the effective date of this Order, the Bank shall be in full compliance with the Graham-Leach-Bliley Act (GLBA) which mandates a satisfactory information security program that includes enterprise-wide risk assessment, vendor management practices, adequate information security policy and procedures, appropriate annual board reporting, and employee training. The Bank shall also be in full compliance with all regulatory guidance with regards to IT matters and shall perform risk assessments prior to the implementation of any new technology or technology services, such as social media and ATM placement.

11. Within 60 days of the effective date of this Order, the Bank shall establish a committee to investigate and approve a core processor service contract for the bank.

12. Within 90 days of the effective date of this Order, the Bank shall comply in all material respects with the Bank Secrecy Act ("BSA") and its rules and regulations.

13. Within 60 days of the effective date of this Order, the Bank shall complete the risk rating of all deposit accounts. In addition within 60 days of the effective date of this Order, the Bank shall complete the review of all high risk account files to ensure required documentation is obtained and ensure continued ongoing monitoring of these accounts.

14. The Bank shall not pay cash dividends or make any other payments to its shareholders without the prior written consent of the Regional Director and the Commissioner.

15. The Bank shall not engage in any expansionary activities without the prior written consent of the Regional Director and the Commissioner. Expansionary activities include, but are not limited to, new branches or facilities, new products, and new lines of business.

16. The Bank shall notify the Regional Director and the Commissioner no less than one business day in advance of making a planned public announcement or notification regarding changes in the Bank's financial condition, executive management or Board.

17. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDFI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDFI.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC and the CDFI.



