



PUBLIC DISCLOSURE

May 14, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mission National Bank
Charter Number 17176

3060 16th Street
San Francisco, CA 94103

Office of the Comptroller of the Currency

One Front Street
Suite 1000
San Francisco, CA 94111

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 Satisfactory

Mission National Bank (MNB) satisfactorily meets the credit needs of its assessment area, including low- and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- MNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its community.
- The bank's lending in its assessment areas meets the standard for satisfactory performance.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its assessment areas.
- The bank's geographic distribution of loans reflects excellent dispersion throughout its assessment areas.
- There have been no written complaints regarding the bank's performance in meeting its community's credit needs.

SCOPE OF EXAMINATION

We evaluated the bank's performance based on loans originated from January 1, 2012 to May 12, 2014. We focused our evaluation on the bank's primary product line, which is commercial loans (Commercial real estate and construction, together with commercial loans, were grouped together under the title "commercial loans" to evaluate the bank's performance.). Our population was 96 commercial loans originated as new loans during the scope of our review. We reviewed all loans in this sample from the credit approval memorandums and loan files. We did not include residential credit products nor agricultural products as these are not primary products of the bank.

DESCRIPTION OF INSTITUTION

Mission National Bank (MNB) is a wholly owned subsidiary of MNB Holdings Corporation, a one-bank holding company, located in San Francisco, California. The bank, established in 1982, provides general banking services through its headquarters office, and a second branch in Berkeley, California. There are two ATM's, one in the main office and one in the Berkeley branch. As of March 31, 2014, MNB had total assets of \$177 million with \$134 million in loans, which represents total loans to total assets of 76%.

MNB’s corporate structure has not changed since our last CRA examination. The bank focuses its lending activity on commercial real estate and business loans, although consumer and other products are also available. They are a niche bank with their primary focus on underserved markets, including gas stations and convenience stores, hotels and motels, and residential care homes.

The bank’s ability to help meet the credit needs of the community is impacted by the terms of an agreement with the Office of the Comptroller of the Currency. The bank’s CRA performance was previously evaluated on October 27, 2008, and found to be satisfactory.

Table 1

MISSION NATIONAL BANK LOAN PORTFOLIO COMPOSITION		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial	130,873	97.34
1-4 Family Residential Real Estate	3,336	2.48
Individual	137	0.10
Other	101	0.08
Total Loans	134,447	100.0

Source: Call Report as of 3/31/14

Please refer to the bank’s CRA public file for more information about the institution.

DESCRIPTION OF ASSESSMENT AREAS (AA)

Management and the Board have designated 557 census tracts located in two counties, in two separate Metropolitan Divisions (MDs), as their AA. MNB designated San Francisco County as their first AA, which is located in the San Francisco-Redwood City-South San Francisco MD, and consists of 197 census tracts. The bank’s second AA includes all of Alameda County, which is located in the Oakland-Hayward-Fremont MD, and is comprised of 360 census tracts. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

In conjunction with this CRA examination, we incorporated the notes and information from a CRA listening session in the local community. The listening session had two representatives from local non-profit organizations, one government official, and one representative from a local grass-roots community group along with representatives from various bank regulating agencies. The biggest concern of community representatives was for more credit opportunities in smaller loan amounts for LMI individuals and small businesses.

San Francisco County AA

The first AA consists of 197 census tracts in San Francisco County, which were determined by the 2010 U.S. Census. San Francisco County is located on the West Coast of the United States at the tip of the San Francisco Peninsula, and includes significant stretches of the Pacific Ocean and the San Francisco Bay within its boundaries. The mainland, within the city limits, roughly forms a seven-by-seven mile square.

The following table highlights the demographic composition of the San Francisco County AA.

Table 2

SAN FRANCISCO County AA						
INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
<i>Income of Census Tract</i>	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	39	19.80%	28,677	28.57%	24,693	16.43%
Moderate Income	42	21.32%	12,915	12.87%	33,848	22.52%
Middle Income	57	28.93%	20,378	20.30%	51,052	33.96%
Upper Income	56	28.43%	38,336	38.19%	40,727	27.09%
<i>N/A</i>	3	1.52%	78	0.08%	9	0.01%
Total:	197	100%	100,384	100.00%	150,329	100%

Source: 2013 Business Geodemographic Data

The total population of the AA is 805,235. The businesses in this AA are evenly distributed among all income levels.

According to Moody’s Economy.com from 2014, San Francisco’s economy is forecasted to enter expansion in the near future. San Francisco has the lowest unemployment rate among major California regional economies. San Francisco’s unemployment rate is expected to fall to 5% by the middle of 2014. The unemployment rate in 2013 was 5.6%. Technology hiring was surging in 2011 and 2012, although it has now slowed, leisure/hospitality payroll gains have surged driving the economic growth. The top employers are University of California, San Francisco, Stanford University, Genentech Inc., along with Wells Fargo & Co., Kaiser Permanente, and Oracle Corp. The largest employment sectors are Professional and Business Services at 23%, Government at 14%, and Leisure and hospitality services at 13%. The San Francisco AA is characterized by a well-educated and skilled workforce.

San Francisco has high costs and congestion for both businesses and households. The Moody’s Economy.com from 2014 ranks the living costs at 149% of the United States and business costs at 118%. From the 2013 Business Geodemographic Data the weighted average of median family income in San Francisco is \$93,956 while the weighted average of median housing is \$772,086. Moody’s reports that multifamily construction permits are at the highest level in more than 20 years, although limited land and the cumbersome permitting process constricts building. In addition, office

construction permits are at the highest level since the recession with rising office rents and falling space surpluses.

The 2013 business count in San Francisco is 101,029. The majority of these businesses have 1-4 employees at 63% and revenues less than \$500 thousand at 65%. Small businesses (revenue under \$1 million) comprise 70% of San Francisco businesses.

Competition in the area is strong with 52 banks operating within San Francisco County. MNB ranks 25th in deposit market share with 0.07%. The three largest banks hold 74.77% of the deposit market share. Three large competitors in the area include Bank of America, NA, Wells Fargo NA, and Citibank NA.

Alameda County AA

The second AA includes all of Alameda County and contains 360 census tracts, which were determined by the 2010 U.S. Census. According to the U.S. Census Bureau, the county has a total area of 821 square miles, of which 738 square miles is land and 84 square miles (10.18%) is water. The San Francisco Bay borders the county on the west. The crest of the Berkeley Hills forms part of the northeastern boundary, and reaches into the center of the county. A coastal plain several miles wide lines the bay, and is home to the city of Oakland and the most populated regions. Livermore Valley lies in the eastern part of the county.

The following table shows the demographics of the AA.

Table 3

ALAMEDA COUNTY AA COMPOSITION						
INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
<i>Income of Census Tract</i>	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	58	16.11%	16,600	12.99%	42,268	12.42%
Moderate Income	84	23.33%	25,575	20.01%	68,356	20.09%
Middle Income	115	31.94%	40,424	31.62%	118,194	34.74%
Upper Income	102	28.33%	45,168	35.34%	111,372	32.74%
<i>N/A</i>	1	0.28%	58	0.05%	0	0%
Total:	360	100%	127,825	100%	340,190	100%

Source: 2013 Business Geodemographic Data

The total population of the Alameda County AA is 1,510,271. The majority of businesses are located in the middle and upper census tracts. Owner-occupied housing represents 51% of all housing units in the AA. The weighted average of

median family income is \$91,982, while the weighted average of median housing is \$560,014

According to Moody's Economy.com from 2014, the Alameda AA's economy is improving and will continue to improve as businesses look for affordable rent in Alameda County as an alternative to San Francisco and San Jose. The technology industry's expansion in the area is helping Alameda County as a near term driver. The Oakland port has potential growth opportunities as the Oakland Army base is being transformed into a logistics hub and the port is increasing its refrigerated cargo capacity. However, there are a number of threats to the port including labor stoppages, and competition with British Columbia as well as the Panama Canal route. Alameda County's local governments continue to struggle under the cost of pensions. The economy has also been slowed by the decline in mortgage lending due to rising interest rates. Alameda County's unemployment rate remains above 7% although it is projected to decline below 6% by mid-2015.

The largest employers in Alameda County are Kaiser Permanente, University of California, Berkeley, and Safeway, Inc. The largest employment sectors are Professional and Business Services at 17%, Government at 17%, Education and Health Services at 14%, followed by Retail Trade at 11%.

The business count in Alameda County is 129,429. The majority of Alameda County businesses, or 64%, have 1-4 employees. The majority of these businesses also have less than \$500 thousand in revenue at 68%. Small businesses (less than \$1 million in revenue) comprise 72% of Alameda County businesses.

MNB faces strong competition with 43 banks operating within the AA. MNB ranks 36th in deposit market share with 0.09%. The four largest banks hold 68.18% of the deposit market share. The competing institutions include Bank of America, Wells Fargo, JP Morgan Chase Bank, NA, and Citibank, NA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

MNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the community. We looked at two similar institutions, both in size and location, and found an average quarterly LTD ratio of 81.8%. MNB's average LTD ratio is 86.46%. The assets of the peer banks were \$212 million, and \$146 million. The institutions are located in a similar market and have a similar number of branches. The average LTD ratios were computed averaging the last 24 quarters (June 2008 to March 2014).

Lending in Assessment Area

The bank's lending in its AA meets the standard for satisfactory performance.

Table 4

MISSION NATIONAL BANK'S LENDING IN AA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	64	67%	32	33%	57,709,434	70%	24,464,580	30%
Totals	64	67%	32	33%	57,709,434	70%	24,464,580	30%

Source: Sample of 96 business loans originated from January 1, 2012 to May 12, 2014

A majority of the bank's loans and other lending-related activities are made within the bank's designated assessment area. We sampled 96 loans originated over the last two years from January 1, 2012 to May 12, 2014. Of the 96 sampled, the bank originated 64 loans, or 67% of the number of loans, to borrowers within their AA. Based on the dollar volume of loans, the inside ratio was 70%.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its AAs.

Table 5

INCOME DISTRIBUTION OF LOANS TO BUSINESSES IN THE SAN FRANCISCO COUNTY AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70%	5%	25%	100%
% of Bank Loans in AA by #	56%	31%	13%	100%
% of Bank Loans in AA by \$	73%	25%	2%	100%

Demographic Data Source: 2013 Business Geodemographic Data.

The percentage of businesses with revenues of less than or equal to \$1 million within the San Francisco MSA AA is 70%. Based on our sample of 45 loans within the AA, the bank originated 56% of their loans by number and 73% by dollar volume to these businesses. Although the bank's percentage of loans to small businesses by number is below the area demographics, the bank's dollar volume percentage exceeds the area demographics. In addition, as exemplified in deposit market share, the bank has strong competition from larger institutions that are able to offer products to these businesses more cost effectively within this AA. This competition and the bank's efforts through loan dollar volume were taken into consideration in evaluating the bank's community reinvestment performance. Our analysis found that the results indicate the bank's commitment to addressing the community credit needs of businesses with revenues less than \$1 million. Refer to the table above for details.

Table 6

INCOME DISTRIBUTION OF LOANS TO BUSINESSES IN THE ALAMEDA COUNTY AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72%	5%	23%	100%
% of Bank Loans in AA by #	55%	28%	17%	100%
% of Bank Loans in AA by \$	77%	18%	5%	100%

Demographic Data Source: 2013 Business Geodemographic Data.

The percentage of businesses with revenues less than or equal to \$1 million within the Alameda County AA is 72%. The resulting percentage of loans to these businesses by number and dollar volume was 55% and 77%, respectively. Although the bank's business loans in the AA does not meet area demographics, our analysis indicates the bank's effort to lend to businesses with revenues less than or equal to \$1 million is reasonable. The bank focuses on underserved markets such as gas stations with convenience stores. Also, the bank faces strong competition from larger institutions that are able to offer products to businesses more cost effectively. Both of these factors were taken into consideration in evaluating the bank's performance. Our analysis found that these results indicate the bank's commitment to addressing the community credit needs of businesses with revenues less than \$1 million. Refer to the table above for details.

Geographic Distribution of Loans

Based on our sample, the bank's geographic distribution of loans reflects excellent dispersion throughout its AAs. The bank was not able to penetrate all census tracts within their AAs. However, there were no conspicuous gaps in the bank's distribution of loans. The bank's percentage of the number of loans to low income census tracts in both AA's exceeds the AA's geographic distribution.

Business Loans – San Francisco County AA

As shown in the table below, the bank's distribution of business loans, by percentage of loans, originated in the low- income geographies was 64%, exceeding the area demographics of 29%.

The bank's distribution of business loans, by percentage of number of loans, originated in the moderate-income geographies was 11%, closely matching the area demographics of 13%.

Table 7

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE SAN FRANCISCO COUNTY AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business Loans	29%	64%	13%	11%	20%	11%	38%	13%

Demographic Data Source: 2013 Business Geodemographic Data

Business Loans – Alameda County AA

As shown in the table below, the bank’s distribution of business loans, by percentage of loans, originated in the low-income geographies was 28%, exceeding area demographics of 13%.

The bank’s distribution of business loans by percentage of loans originated in the moderate-income geographies was 33% also exceeding area demographics of 20%.

Table 8

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE ALAMEDA COUNTY AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business Loans	13%	28%	20%	33%	32%	22%	35%	17%

Demographic Data Source: 2013 Business Geodemographic Data

Responses to Complaints

No written complaints concerning MNB’s CRA performance have been received since the bank’s previous CRA examination, dated October 2, 2008.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.