



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Trans Pacific National Bank
Charter Number 18358**

**46 Second Street
San Francisco, CA 94105**

**Comptroller of the Currency
San Francisco Field Office
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.

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 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 Trans Pacific National Bank, prepared by The Office of the Comptroller of the Currency, as of **September 15, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING:

This institution is rated SATISFACTORY.

Trans Pacific National Bank 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:

- The bank's loan-to-deposit ratio of 81% exceeds peer banks.
- A majority of loans are made, and other lending-related activities occur in the bank's assessment areas.
- The bank's distribution of loans to businesses of different sizes reflects, given the demographics of its assessment area, reasonable penetration among businesses of different sizes.
- The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- There have not been any public complaints about the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Trans Pacific National Bank (TPNB) is a community bank that was established in August 1984. TPNB is a wholly owned subsidiary of Trans Pacific Bancorp, a one-bank holding company located in San Francisco, California. The bank provides general banking services through its main office and two branches. The main office is located in the south of Market area of San Francisco, with one branch located across the San Francisco Bay in Alameda, California, and

another branch located on the peninsula in Belmont, California. The bank has no automated teller machines (ATM's). As of December 31, 2002, TPNB had total assets of \$134 million with \$90 million in loans, which represents net loans to total assets of 67%.

Table 1 lists the outstanding balance of the bank's major loan products as of December 2002.

Table 1

LOAN PORTFOLIO COMPOSITION December 31, 2002	
Loan Type	% of Portfolio
Commercial (including commercial RE)	75%
Residential Real Estate (including multifamily)	19%
Consumer	<1%
Other	6%
Total:	100%

*Source: 12/31/02 Report of Condition – Average of Gross Loans

Commercial loans are the bank's primary loan product, so we reviewed a sample of commercial loans originated between January 1999 and December 2002.

There are no legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community. The bank received a "Satisfactory" rating in its prior CRA evaluation dated January 6, 1999.

DESCRIPTION OF TRANS PACIFIC NATIONAL BANK'S ASSESSMENT AREAS

Management and the Board have designated three assessment areas (AAs) consisting of 259 census tracts within a five-mile radius of its branches located in the cities of San Francisco, Belmont and Alameda. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low-to-moderate-income geographies. The bank's performance will be based on the San Francisco and Belmont AAs combined because these areas are included in the San Francisco Metropolitan Statistical Area (MSA) and a separate analysis will be performed for the Alameda assessment area.

San Francisco / Belmont Assessment Areas

The first AA consists of portions of San Francisco County and is comprised of 116 contiguous census tracts. San Francisco County includes the city of San Francisco and is located in the San Francisco MSA, which also includes a part of San Mateo county. The city of San Francisco is the financial center of the West and the gateway to Asia. It is situated on the northern tip of a peninsula bordered by the Pacific Ocean on the west, the Golden Gate on the north, San Francisco Bay on the east, and the San Mateo County line to the south. Major employers in this county are United Airlines, the University of California, Oracle Corporation, Macy's, Wells Fargo Bank, and state and local government.

The unemployment rate in San Francisco is at 2.8%, according to the California Department of Finance as of February 2002. The FDIC State Profile, Division of Insurance and Research, dated Summer 2003, indicated that the San Francisco Bay Area is experiencing its worst economic decline in the past fifty years, in part due to the downturn in the high-tech manufacturing, software sectors, and the collapse of the dot-com industry. Office vacancy rates have risen with the largest increase being in the city of San Francisco.

TPNB faces strong competition from 72 banks operating within this AA, and ranks 41st in market share representing 0.10% of the market's deposits. The two largest banks in this assessment area hold a total of 56.49% of the market share. The competing institutions include, in part, Wells Fargo Bank, Bank of America, Union Bank, Pacific Coast Bankers' Bank, National American Bank, Liberty Bank, and Oceanic Bank.

The Belmont AA consists of portions of San Mateo County, which is also located in the San Francisco MSA, and is comprised of 61 contiguous census tracts. San Mateo County is located on the Peninsula south of San Francisco International Airport, connected to the city of San Francisco by Highway 101 and is connected to the east side of San Francisco Bay by the San Mateo-Hayward Bridge, one of the longest highway bridges in the country.

The unemployment rate in San Mateo County is 2.2% according to the U.S. Census Bureau, Census 2000. Major employers in this county are Oracle Corporation, San Mateo County, Kaiser Permanente, Electronic Arts and Redwood City School District.

TPNB faces very strong competition from 35 financial institutions operating within the Belmont assessment area. The three largest banks hold a total of 51% of the market share. The competing institutions include, in part, Bank of America, Wells Fargo Bank, and Washington Mutual Bank.

The three largest employment sectors in the San Francisco MSA employ 77% of the civilian workforce: services (41%), non-classifiable establishments (21%), and retail trade (15%) according to the 2002 Business Geodemographic Data. The 2002 Business Geodemographic data showed that 80,540 businesses operate within the bank's current assessment area. Of those with reported revenues, 67% have reported annual revenues of \$1 million or less. Approximately 61% employ fewer than ten employees.

During the examination, we made community contacts with a representative from the Community Development for Housing and Economic Revitalization and a representative from the California Housing Finance Agency. The representatives believe there is a need for small business loans and first time homebuyer financing that target low-to-moderate income persons.

Alameda Assessment Area

The third AA consists of portions of Alameda County, which is located in the Oakland MSA, and is comprised of 85 contiguous census tracts. The AA is bordered by San Francisco Bay to the west and north, San Joaquin County to the east, and Santa Clara County to the south. The county of Alameda is part of the San Francisco East Bay, which has been supported by its transportation and distribution facilities. The region has one of the West Coast's largest

container ports, an international airport, and several major trucking lines.

Alameda County is only a portion of the Oakland MSA, which also includes Contra Costa County. Major employers are Alameda County, Alta Bates-Summit Medical, Bay Area Rapid Transit District, City of Oakland, and Kaiser Foundation Hospitals and Health Plans. The three largest employment sectors in the Oakland MSA employ 74% of the civilian workforce: services (47%), retail trade (19%), and finance, insurance and real estate (8%), according to the 2002 Business Geodemographic Data. The unemployment rate in Alameda County is currently at 3%, according to the California Department of Finance as of February 2002.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We evaluated the bank's performance based on loans originated from January 5, 1999 through December 31, 2002. We focused our evaluation on the bank's primary product, commercial real estate loans originated since the last CRA examination. We randomly selected 20 loans for our sample. We used the sampled loans to review the bank's lending in its AAs, its geographic and income distribution of loans, and its overall CRA performance. Home mortgage and consumer loan products were not selected in our sample since the bank is not a major mortgagor or consumer lender in this market.

Loan-to-Deposit Ratio

TPNB's quarterly average loan-to-deposit ratio (LTD) is excellent given the bank's size, financial condition, and the AA credit needs. Since the last CRA examination, the bank's quarterly ratio averaged 81% over the last 16 quarters ended December 31, 2002. In comparing the bank's ratio to its peer group, the quarterly average ratio was 70%. The bank's LTD ratio is significantly above the peer average and exceeds the standard for satisfactory performance.

Lending in the Assessment Area

A majority of loans are made and other lending-related activities occur in the bank's assessment area (AA).

Analysis for lending in the AA included a sample of 20 commercial loans originated from January 1999 through December 2002. We found 60% of loans by number and dollar volume were originated within the AA. In order to meet the standard in this performance criterion, the bank needs to originate at least 50% of its loans within their assessment area. Consequently, the bank's lending to businesses within the AA meets the standard for satisfactory performance.

Lending to Businesses of Different Sizes

Given the demographics of the AA, the bank's distribution of loans reflects reasonable penetration among businesses of different sizes. The bank meets the standard for satisfactory performance.

We selected a random sample of 47 commercial loans to evaluate the bank's performance. These loans were originated between January 1999 and December 2002, and were within the bank's assessment area.

We compared the bank's lending to businesses within the AA to the demographics of small businesses within the same assessment area. Small businesses are those with gross revenues of \$1 million or less. The tables below display the bank's lending practices based on our sample of commercial loans.

San Francisco / Belmont Assessment Area

Table 2

Income Distribution of Loans to Businesses San Francisco / Belmont Assessment Area Years 1999-2002		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	67%	8%
% of Bank Loans in AA by #	58%	42%
% of Bank Loans in AA by \$	66%	34%

* Demographic Data Source: 2002 Dun and Bradstreet - 25% of AA businesses did not report revenue data

The table indicates that 58% (by number of loans) and 66% (by dollar volume) of the bank's commercial originations were to borrowers with gross annual revenues of \$1 million or less. This is slightly below the demographics with the Dun and Bradstreet data, which shows that 67% of reporting businesses had gross annual revenues of \$1 million or less. However, our sample indicated that 87% of the loans to small businesses had gross annual revenues under \$250,000, indicating the bank's commitment to lend to micro businesses.

Alameda Assessment Area

Table 3

Income Distribution of Loans to Businesses Alameda Assessment Area Years 1999 - 2002		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	70%	7%
% of Bank Loans in AA by #	75%	25%
% of Bank Loans in AA by \$	63%	37%

* Demographic Data Source: 2002 Dun and Bradstreet - 23% of AA businesses did not report revenue data

The table indicates that 75% (by number of loans) and 63% (by dollar volume) of the bank's commercial originations were to borrowers with gross annual revenues of \$1 million or less.

This is consistent with the Dun and Bradstreet data, which shows that 70% of reporting businesses had gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA and meets the standard for satisfactory performance.

We reviewed the pattern for geographic distribution of lending between low- and moderate-income tracts within the assessment area. The tables below detail the bank's commercial lending activity within the assessment area. We used the same sample of loans from the **Lending to Businesses of Different Sizes** section of this performance evaluation.

San Francisco / Belmont Assessment Areas

Table 4

Geographic Distribution of Loans to Businesses San Francisco / Belmont Assessment Area								
Census Tract Income Level ¹	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Businesses						
1999 – 2002 Sample ¹	29%	26%	29%	21%	21%	28%	21%	25%

Demographic Data Source: ¹ 2002 Dun and Bradstreet

The bank's lending in low-income tracts is slightly higher than the percentage of businesses located in low-income areas. For lending in moderate-income tracts, the bank's lending exceeds the demographics of the area.

Table 5

Geographic Distribution of Loans to Businesses Alameda Assessment Area								
Census Tract Income Level ¹	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Businesses						
1999 – 2002 Sample ¹	35%	38%	30%	21%	25%	33%	10%	7%

Demographic Data Source: ¹ 2002 Dun and Bradstreet; 1% of census tracts is defined as n/a

The bank’s lending in low-income tracts is slightly below the percentage of businesses located in low-income areas. However, lending in moderate-income areas exceeds the demographics of the area.

Responses to Complaints

No consumer complaints associated with the bank’s performance under the provisions of the CRA have been made since the last examination.

Fair Lending or Other Illegal Credit Practices Review

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