



SMALL BANK

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

PUBLIC DISCLOSURE

July 23, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Prime Pacific Bank, National Association
Charter Number 22769**

**4710 196th Street, Southwest
Lynnwood, WA 98036**

**Office of the Comptroller of the Currency
Western District
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.

This institution is rated “Satisfactory”.

Prime Pacific Bank, N.A. satisfactorily meets the credit needs of its assessment area (AA), including low- and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The bank has a reasonable loan-to-deposit ratio.
- The bank’s lending in its AA meets the standard for satisfactory performance.
- The distribution of loans reflects adequate penetration among businesses of different sizes.
- The geographic distribution of loans meets the standard for satisfactory performance throughout the assessment area.
- There were no public complaints about the bank’s Community Reinvestment Act (CRA) performance.

DESCRIPTION OF INSTITUTION

Prime Pacific Bank, N.A. (Prime Pacific) is a community bank headquartered in Lynnwood, Washington, with one branch in Kenmore, Washington. The bank also has a branch charter to operate a courier service to accept deposits within the state of Washington. Prime Pacific Financial Services, Inc. became the holding company for the bank in January 2001, and is the sole owner of the bank.

The bank is in sound financial condition, with total assets of \$130 million as of March 31, 2007. Net loans represent approximately 83% of the bank's assets. The bank acquired the Kenmore branch in October 2000, and has not closed any branches since the previous CRA examination.

Prime Pacific is a full-service bank offering loans, deposit accounts, and traditional banking services. Prime Pacific has a Depository to accept deposits outside the front entrance door, which is accessible 24 hours a day. The bank also has an Automated Teller Machine (ATM) outside the front entrance door, which is accessible 24 hours a day for withdrawals only. Prime Pacific's primary focus is business lending, which accounts for 73% of the bank's loan portfolio by number of loans originated and purchased, and 82% of the bank’s loan portfolio by dollar of loans originated and purchased. Additionally, the bank offers home mortgage loan products, credit card, and consumer loans.

There are no financial or legal impediments that affect Prime Pacific's ability to meet the credit needs of its assessment area. This office conducted the previous CRA evaluation dated April 8, 2002. The bank received a "Satisfactory" rating. Table 1 shows the composition of the loan portfolio as of June 26, 2007, by number and dollar volume.

Table 1

LOAN PORTFOLIO COMPOSITION				
Loan Type	# of Loans	% by Number of Loans Originated/Purchased during the Evaluation Period	\$ Volume (000)	% by Dollar of Loans Originated/Purchased during the Evaluation Period
Agriculture	0	0%	\$0	0%
Business Loans	224	73%	93,260	82%
1-4 Family Residential	54	17%	19,995	17%
Consumer	31	10%	656	1%
Total:	309	100%	113,911	100%

Source: Loan Trial Balance - Loans Originated between 1/1/2005 – 6/26/2007

Business loans are the bank's primary loan product. As such, we analyzed a random selection of business loans for this performance evaluation. For each of the following performance criterion, we analyzed loans originated since the last CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA is inside the Seattle-Bellevue-Everett Metropolitan Statistical Area (MSA), which includes all of Snohomish County and 28 census tracts in north King County. Based on 2000 census data, the bank's AA has a population of 733,442. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The area is primarily urban and is supported by small businesses. Table 2 details the number and percentage of census tracts and families by income level within the bank's assessment area.

Table 2

ASSESSMENT AREA COMPOSITION INCOME DISTRIBUTION OF CENSUS TRACTS & FAMILIES				
Income of Census Tracts	Number of Total Census Tracts	Percent of Census Tracts	Number of Total Families	Percent of Total Families
Low Income	2	1%	1,686	1%
Moderate Income	31	19%	37,687	19%
Middle Income	97	60%	114,611	60%
Upper Income	31	20%	38,753	20%
Total:	161	100%	192,737	100%

Sources: 2000 U.S. Census and Dun & Bradstreet

Based on the 2000 U.S. Census data, there are 192,737 families residing in the assessment area. The median housing value in the area was \$198,608, with 65% of total housing units owner-occupied. Six percent of the families are below the poverty level. The 2000 Census data reported median family income of \$64,159. The HUD adjusted median family income for 2007 was \$74,300.

The local economy is supported by businesses of all sizes. The largest employers in the AA are the Boeing Company and the State of Washington. Major employment sectors in the AA include aircraft manufacturing, business services, computer and data processing services, medical services, and residential and commercial building construction. The unemployment rate for the bank's specific census tracts in Snohomish and King Counties was 2.50%, according to the 2000 U.S. Census.

Prime Pacific faces competition from 76 financial institutions operating within the Seattle-Bellevue-Everett MSA. These institutions consist of non-banks or credit unions, branches of regional banks, and local community banks. Within this MSA, Prime Pacific ranks 48th, with less than 1% market share. The five largest financial institutions hold 71% of the market share. The competing institutions include, in part, Bank of America, Washington Mutual Bank, US Bank, Key Bank, and Wells Fargo Bank.

In conjunction with this CRA examination, we conducted a community contact interview with a representative from an economic development organization to learn about credit opportunities within the community. The representative identified the need for additional CRA information for local organizations, to more effectively engage financial institutions in community development opportunities.

Please refer to the bank's CRA public file for more information about the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio meets the standard for satisfactory performance.

Prime Pacific's level of lending is satisfactory given the bank's size, its capacity to lend, area credit needs, and the competitive banking market in northwestern Washington. We analyzed Prime Pacific's quarterly LTD ratio since the last CRA examination, from January 2002 through December 2006. During this period, the bank's LTD ratio ranged from a low of 87.25% to a high of 97.08%, with a quarterly average of 92.14%.

We compared Prime Pacific's performance under this criterion to 17 banks that operated in the same assessment area. These banks had an average LTD ratio over the same period of 94.66%. Based on this data, we consider Prime Pacific's LTD ratio to be reasonable.

Lending in Assessment Area

The bank's level of lending within its AA meets the standard for satisfactory performance.

Table 3

PRIME PACIFIC BANK, N.A. LENDING IN THE ASSESSMENT AREA									
Loan Type	Number of Loans				Dollars of Loans				
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	
Business Loans	38	63%	22	37%	\$14,430M	51%	\$13,941	49%	
Totals	38	63%	22	37%	\$14,430M	51%	\$13,941	49%	

Source: Sampled 60 business loans from January 1, 2005 to June 26, 2007

As demonstrated above, a majority of the bank's loans originated within its defined assessment area. For this performance criterion, we randomly sampled 60 business loans originated during the evaluation period. Based on our sample we found that the bank originated 63% of the number and 51% of the dollar volume of loans within the defined assessment area.

Lending to Businesses of Different Sizes

The bank's level of lending to businesses of different sizes meets the standard for satisfactory performance.

Our random sample included 38 business loans, totaling \$14,430M. These loans originated between January 1, 2005 and June 26, 2007, and are within the bank's assessment area. Table 4 reflects the distribution of business loans by revenue size.

Table 4

DISTRIBUTION OF BUSINESS LOANS BY ANNUAL REVENUE YEARS JANUARY 1, 2005 – JUNE 26, 2007					
Revenue Size	# of Loans	% of Loans	\$ (000's) of Loans	% of \$(000)	% of Small Businesses in AA*
Under \$1,000,000	22	58%	\$8,235	57%	71%
Over \$1,000,000	16	42%	\$6,195	43%	5%
Revenue Not Reported	0	0%	\$0	0%	24%
Total Loan Sample:	38	100%	\$14,430	100%	100%

*Source: 2006 Business Geodemographic Data and Loan Sample

Based on our sample, the bank originated a majority number of loans by number and by dollar

amount to small businesses. The resulting percentages were 58% and 57%, respectively. The number of loans by number and by dollar is lower than the area demographics, which showed 71% of reporting businesses having gross annual revenues of \$1 million or less. While this is lower than the area demographics, Prime Pacific’s lending opportunities to small businesses have been hampered due to competition. Prime Pacific faces competition with 47 other banks that are larger and have more branches. Prime Pacific has less than 1% of the market share. Given the competitive factors, the bank’s performance is considered to be adequate.

Geographic Distribution of Loans

Overall, the bank's geographic distribution of loans meets the standard for satisfactory performance.

We reviewed the pattern for geographic distribution of lending in low- and moderate-income tracts within the assessment area. The Business Geodemographic data tracks where businesses are located based on U.S. Census information. Table 5 details the bank's business lending activity within the assessment area. We used the same sample of business loans from the *Lending to Businesses of Different Sizes* section of this performance evaluation.

Table 5

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESS SEATTLE-BELLEVUE-EVERETT MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans
Business	4%	0%	21%	34%	47%	42%	27%	24%

Demographic Data Source: 2007 Business Geodemographic Data and loan sample

Table 5 reflects that the bank’s distribution of business loans in low-income census tracts is weak. According to the 2007 Business Geodemographic data, 4% of the businesses are located in these tracts. In comparison, none of the bank’s business customers were located in low income census tracts. While this reflects poor penetration, Prime Pacific faces competition with 47 other banks that are larger and have more branches. Prime Pacific has less than 1% of the market share.

The bank’s distribution of business loans in moderate-income census tracts is excellent. Our loan sample reflected that 34% of the bank’s business loans were located in moderate-income census tracts, which exceeds the area demographics of 21%.

Responses to Complaints

The bank has not received any complaints from the public concerning its CRA performance since the previous CRA examination.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices. There were no violations of the substantive provisions of the anti-discrimination laws and regulations identified. Based on this review, it was determined that the bank's compliance with fair lending laws is satisfactory.