



PUBLIC DISCLOSURE

November 28, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Trans Pacific National Bank
Charter Number 18358

88 Kearny Street, Suite 1750
San Francisco, CA 94108

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

Trans Pacific National Bank (TPNB or bank) satisfactorily meets the credit needs of its assessment areas, including low-and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The quarterly average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and credit needs.
- A majority of loans are made inside the assessment areas.
- The distribution of loans to businesses of different sizes reflects, given the demographics of its assessment areas, reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- There have not been any public complaints about the bank's CRA performance.

SCOPE OF EXAMINATION

We evaluated the bank's performance based on loans originated from January 1, 2014 through November 28, 2016. We focused our evaluation on the bank's primary product loans, commercial real estate, commercial, and construction loans (grouped under the title "business loans") originated since January 1, 2014.

DESCRIPTION OF INSTITUTION

TPNB is a community bank headquartered in San Francisco, CA. The bank opened in 1984, and currently operates three branches in San Francisco, Millbrae, and Alameda. In March 1997, three investors from Chicago acquired the bank and its shell holding company, Trans Pacific Bancorp. 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 financial district of San Francisco, with one branch located on the peninsula in Millbrae, California. The second branch is located across the San Francisco Bay in Alameda, California. As of September 30, 2016, TPNB had total assets of \$139 million with \$101 million in loans, which represents loans to total assets of 73 percent.

Historically, TPNB focused on commercial loan customers, offering typical products and services. In 2014, the bank's strategic direction changed significantly. The restructure of the organization had an impact on the number of loans the bank originated in 2014. Throughout years 2015 and 2016, we see the bank's improvement in the origination of loans within the bank's AAs.

Table 1 lists the outstanding balance of the bank’s major loan products as of September 30, 2016.

Table 1

LOAN PORTFOLIO COMPOSITION September 30, 2016	
Loan Type	% of Portfolio
Commercial (including commercial RE)	83
Residential Real Estate (including multifamily)	16
Consumer	0
Other	1
Total:	100%

*Source: 09/30/2016 TPNB Loan Concentration – Total Loan Portfolio

We reviewed all commercial loans originated between January 2014 and November 28, 2016, as commercial loans are the bank’s primary loan product.

There are currently no legal, financial, regulatory, or other factors impeding the bank’s ability to meet the credit needs of its assessment area. The bank’s CRA performance was previously evaluated on February 21, 2012, and rated satisfactory.

DESCRIPTION OF ASSESSMENT AREA(S)

Management and the board have designated two assessment areas (AA) consisting of 701 census tracts within the greater San Francisco Bay Area. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low-to-moderate-income geographies. The first AA includes 341 census tracts within the San Francisco-San Mateo-Redwood City, CA Metropolitan Division (San Francisco MD), and the second AA includes 360 census tracts within the Oakland-Hayward-Fremont, CA MD (Oakland MD). Management and the board did not include the entire MDs because the resulting AAs would have been too large to be adequately served by the three branch offices located within the MDs.

In conjunction with this CRA examination, we conducted a community contact interview. The contact for this examination was a community-based development intermediary with focused interests in San Francisco County. The contact identified the need for affordable housing and small business lending within this county.

San Francisco MD AA

Table 2

SAN FRANCISCO MD AA COMPOSITION INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES

Income of Census Tract	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	40	11.73%	20,417	17.29%	26,794	8.74%
Moderate Income	59	17.30%	14,025	11.88%	53,916	17.58%
Middle Income	127	37.24%	37,421	31.70%	126,938	41.39%
Upper Income	112	32.84%	46,167	39.11%	99,065	32.30%
N/A	3	0.88%	29	0.02%	0	0.00%
Total:	341	100%	118,059	100%	306,722	100%

Demographic Data Source: 2016 Business Geodemographic Data

The first AA consists of San Francisco County and portions of San Mateo County, which are located within the San Francisco MD. The AA is comprised of 341 contiguous census tracts. The San Francisco MD AA includes, but is not limited to, the cities of Belmont, Burlingame, Daly City, Millbrae, and San Francisco. The total population of the AA is 1,460,757. Owner-occupied housing represents 43 percent of all housing units in the AA. The weighted average of updated median family income is \$104,700, while the weighted average of median housing is \$767,615. Households living below the poverty level in the AA is 9.60 percent.

The unemployment rate in the San Francisco MD is at 3.0 percent according to Moody's Analytics from April 2016. Moody's states that San Francisco is the centerpiece of the California economy and one of the nation's economic powerhouses. Although job creation has slowed, housing, labor, and office space shortages are driving up costs. Tech remains the main reason for the exceptional expansion. However, the forecast calls for tech hiring to slow as weaker financial conditions constrict startup capital. The expansion of tech giants will ensure that wages, rents, and housing prices will remain high. Major employers in this MD are the University of California, San Francisco; Stanford University; University of San Francisco; Genentech, Inc.; California Pacific Medical Center; PG&E Corporation; and Wells Fargo & Company.

TPNB faces strong competition from 50 banks operating within this AA, and ranks 36th in deposit market share representing 0.03 percent of the market's deposits. The two largest banks in this AA hold a total of 60.26 percent of the market share. The competing institutions include, in part, Bank of America, Wells Fargo Bank, First Republic, JP Morgan Chase, Citibank, and Union Bank.

Based on small business lending information, TPNB is competing with 121 larger institutions within the AA. The top four lenders hold 73.89 percent by number and 52.97 percent by dollar of the small business lending market share.

Oakland MD AA

Table 3

OAKLAND MD AA COMPOSITION						
INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
Income of Census Tract	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	58	16.11%	10,804	12.32%	42,268	12.42%

Moderate Income	84	23.33%	17,218	19.63%	68,356	20.09%
Middle Income	115	31.94%	28,289	32.26%	118,194	34.74%
Upper Income	102	28.33%	31,356	35.75%	111,372	32.74%
N/A	1	0.28%	36	0.04%	0	0.00%
Total:	360	100%	87,703	100%	340,190	100%

Demographic Data Source: 2016 Business Geodemographic Data

The second AA consists of Alameda County, which is located within the Oakland MD. This AA is comprised of 360 contiguous census tracts. The AA is bordered by San Francisco Bay to the west, Contra Costa County to the north and east, and Santa Clara County to the south. Alameda County 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. Larger cities in this AA include Alameda, Berkeley, Oakland, Pleasanton, and San Leandro.

The total population of the Oakland MD AA is 1,510,271. Owner-occupied housing represents 51 percent of all housing units in the AA. The weighted average of updated median family income is \$93,600, while the weighted average of median housing is \$560,014. Households living below the poverty level in the AA is 10.71 percent.

The unemployment rate in the Oakland MD is 4.8 percent, according to Moody's Analytics as from April 2016. Proximity to the world's tech capital will ensure that job and income growth surpasses U.S. averages over the next few years. Major employers within the MD are Kaiser Permanente; University of California, Berkeley; and Safeway, Inc.

TPNB faces strong competition from 42 banks operating within this AA and ranks 40th in deposit market share, representing 0.06 percent of the market's deposits. The two largest banks in this AA hold a total of 49.08 percent of the market share. The competing institutions include, in part, Wells Fargo Bank, Bank of America, JP Morgan Chase Bank, Citibank, Fremont Bank, and Bank of the West.

Based on small business lending information, TPNB is competing with 109 larger institutions within the AA. The top four lenders hold 68.48 percent by number and 48.01 percent by dollar of the small business lending market share.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

We evaluated the bank's performance based on the bank's primary product, commercial loans, originated from January 1, 2014 through November 28, 2016. We included all commercial loans originated to review the bank's lending in its AAs. We then analyzed all business loans inside each of the bank's AAs to determine the bank's lending to borrowers of different sizes and to determine the geographic distribution of loans. Home mortgage and consumer loan products were not included in our analysis since the bank is not a major mortgagor or consumer lender in this market.

Loan-to-Deposit Ratio

TPNB’s quarterly average LTD is reasonable given the bank’s size, financial condition, and the AA credit needs. Since the last CRA examination, the bank’s quarterly ratio averaged 80.10 percent over the last 19 quarters ended September 30, 2016. In comparing the bank’s ratio to its peer group ratio, with a quarterly average ratio of 79.78 percent, the bank’s LTD ratio is reasonable and meets the standard for satisfactory performance.

Lending in Assessment Area

Table 4

TPNB Lending in AA								
Loan Type	Number of Loans				Dollars of Loans (000s)			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	51	54%	44	46%	36,331	52%	34,117	48%
Totals	51	54%	44	46%	36,331	52%	34,117	48%

Source: All new business loans originated from January 1, 2014 to November 28, 2016

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

Analysis for lending in the AA included all commercial loans originated from January 1, 2014 through November 28, 2016. We found 54 percent of loans by number and 52 percent by dollar volume were originated within the bank’s AAs. In order to meet the standard in this performance criterion, the bank needs to originate at least 50 percent of its loans within their AA. Consequently, the bank's lending to businesses within the AA meets the standard for satisfactory performance.

Lending to Borrowers of Different Incomes and 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 and meets the standard for satisfactory performance.

We included all commercial loans within TPNB’s AAs (32 in the SF MD AA and 19 in the Oakland MD AA) to evaluate the bank’s performance.

We compared the bank's lending to businesses within the AAs to the demographics of small businesses within the same AAs. Small businesses are those with gross revenues of \$1 million or less.

The tables below display the bank's lending practices based on our review of commercial loans.

San Francisco MD AA

Table 5

Income Distribution of Loans to Businesses in the San Francisco MD AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	85.02%	6.89%	8.09%	100%
% of Bank Loans in AA by #	53.13%	37.50%	9.38%	100%
% of Bank Loans in AA by \$	59.38%	38.02%	2.60%	100%

Demographic Data Source: 2016 Business Geodemographic Data.

The preceding table indicates that 53.13 percent (by number of loans) and 59.38 percent (by dollar volume) of the bank's commercial originations were to borrowers with gross annual revenues of \$1 million or less. This is lower than, by number and by dollar, the demographics, which shows that 85.02 percent of reporting businesses had gross annual revenues of \$1 million or less.

Given the low volume of loans originated in 2014, a result of TPNB's change in strategic direction and the strong competition in the AA from bank's that are able to offer lower rates to small businesses, the bank's performance in lending to businesses of different sizes within the AA is considered to be reasonable penetration.

Oakland MD AA

Table 6

Income Distribution of Loans to Businesses in the Oakland MD AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.04%	5.78%	17.18%	100%
% of Bank Loans in AA by #	47.37%	52.63%	0.00%	100%
% of Bank Loans in AA by \$	71.93%	28.07%	0.00%	100%

Demographic Data Source: 2016 Business Geodemographic Data.

The table indicates that 47.37 percent (by number of loans) and 71.93 percent (by dollar volume) of the bank's commercial originations were to borrowers with gross annual revenues of \$1 million or less. Although the number of loans is lower than demographics, the dollar volume is near to the demographics, which shows that 77.04 percent of reporting businesses had gross annual revenues of \$1 million or less.

Due to the low volume of loans originated in 2014, and the strong competition in the AA from competing institutions that are able to offer lower rates to small businesses, the bank's performance in the number of loans to businesses of different sizes is considered to be reasonable.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AAs and meets the standard for satisfactory performance. The bank was not able to penetrate all census tracts within their AA. However, there were no conspicuous gaps in the distribution of loans.

We reviewed the geographic distribution of lending between low-income tracts and moderate-income tracts within the AAs. The table below details the commercial lending activity within the AAs. We sampled the same loans from the **Lending to Businesses of Different Sizes** section of this performance evaluation.

San Francisco MD AA

Table 7

Geographic Distribution of Loans to Businesses in the San Francisco MD AA					
Income of Tract	# of Loans	% of #	\$ (000's) of Loans	% of \$(000)	% of Businesses in AA*
Low Income	10	31.25	7,026	26.38	17.29%
Moderate Income	1	3.13	2,000	7.51	11.88%
Middle Income	6	18.75	6,333	23.78	31.70%
Upper Income	15	46.88	11,270	42.32	39.11%
Not Available	0	0.00	0	0.00	0.02%
Total Loans:	32	100%	26,629	100%	100%

Demographic Data Source: 2016 Business Geodemographic Data

As indicated by the preceding table, the bank has excellent dispersion in low-income tracts of the San Francisco MD AA, both in number and dollar amount of loans. However, in moderate-income tracts, the number and dollar amount of loans are lower than the demographics. The demographic data shows that 17.29 percent of businesses in the AA are located in low-income tracts, and 11.88 percent are located in moderate-income tracts. Commercial lending activity reflects that 31.25 percent of the number of loans, and 26.38 percent of the dollar amount of loans, were originated in low-income tracts. Additionally, 3.13 percent of the number of loans and 7.51 percent of the dollar amount of loans were originated in moderate-income tracts. The bank's excellent dispersion in low-income tracts mitigates the poorer dispersion in moderate-income tracts. The bank's performance in the geographic distribution in the San Francisco MD AA is considered to be excellent dispersion.

Oakland MD AA

Table 8

Geographic Distribution of Loans to Businesses in the Oakland MD AA					
Income of Tract	# of Loans	% of #	\$ (000's) of Loans	% of \$(000)	% of Businesses in AA*
Low Income	1	5.26	150	1.55	12.32%
Moderate Income	1	5.26	434	4.47	19.63%
Middle Income	10	52.63	1,740	17.93	32.26%

Upper Income	7	36.84	7,379	76.05	35.75%
Not Available	0	0.00	0	0.00	0.04%
Total Loans:	19	100%	9,703	100%	100%

Demographic Data Source: 2016 Business Geodemographic Data

As indicated by the above tables, the bank is significantly lower than the demographics of the Oakland MD AA in low-income and moderate-income tracts, both in number and dollar amount of loans. The demographic data shows that 12.32 percent of businesses in the bank's AA are located in low-income tracts and 19.63 percent are located in moderate-income tracts. Commercial lending activity reflects that 5.26 percent of the number of loans and 1.55 percent of the dollar amount of loans were originated in low-income tracts. Additionally, commercial lending activity reflects that 5.26 percent of the number and 4.47 percent of the dollar amount of loans were originated in moderate-income tracts.

Continual efforts are made to meet the geographic distribution demographics in this AA. Performance in the geographic distribution in the Oakland MD AA is considered to be poor dispersion.

Responses to Complaints

No written complaints concerning the bank's CRA performance have been received since the issuance of the previous CRA exam dated February 21, 2012.

Fair Lending or Other Illegal Credit Practices Review

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