



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 21, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Trans Pacific National Bank
Charter Number 18358

55 Second Street, Suite 100
San Francisco, CA 94105-0000

Office of the Comptroller of the Currency

ADC-SAN FRANCISCO Field Office
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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 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's quarterly average loan-to-deposit ratio (LTD) is satisfactory given the bank's size, financial condition, and the AAs' credit needs.
- A majority of loans are made within the bank's AAs.
- The bank's distribution of loans to businesses of different sizes reflects, given the demographics of its AAs, reasonable penetration among businesses of different sizes.
- The bank's geographic distribution of loans reflects excellent dispersion throughout the AAs.
- 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, 2010 through February 21, 2012. We focused our evaluation on the bank's primary product loans, commercial real estate, construction, and commercial loans (grouped under the title "business loans") originated since January 1, 2010. We selected all 16 business loans originated in 2010, 2011, and year-to-date 2012 in order to review the bank's lending in its AAs.

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 on the peninsula in Millbrae, California. The second branch is located across the San Francisco Bay in Alameda, California. The bank has automated teller machines (ATM's) at each branch location. As of December 31, 2011, TPNB had total assets of \$114 million with \$80 million in loans, which represents net loans to total assets of 70%.

Table 1 lists the outstanding balance of the bank's major loan products as of December 2011.

Table 1

<i>LOAN PORTFOLIO COMPOSITION</i>	
December 31, 2011	
Loan Type	% of Portfolio
Commercial (including commercial RE)	77%
Residential Real Estate (including multifamily)	23%
Consumer	0%
Other	<1%
Total:	101.00%

*Source: 12/31/11 Report of Condition

Commercial loans are the bank’s primary loan product, so we reviewed a sample of commercial loans originated between January 2010 and February 21, 2012.

The bank’s ability to lend has been negatively impacted by the terms of an agreement with the Office of the Comptroller of the Currency. This agreement has impeded the bank’s ability to help meet the credit needs of the community during the evaluation period. The bank received a “Satisfactory” rating in its prior CRA evaluation dated September 15, 2003.

DESCRIPTION OF ASSESSMENT AREA(S)

Management and the Board have designated two AAs consisting of 612 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 315 census tracts within the San Francisco-San Mateo-Redwood City, CA Metropolitan Division (San Francisco MD), and the second AA includes 297 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. Community contacts are interviewed to learn about credit opportunities within the community and how well financial institutions address the credit and service needs of the community. The contact for this examination included a representative from a local government office. The contact indicated an increasing need for funding for affordable housing, small business start-ups, and job skills training. The contact was located in a wealthier community and stated that the community is often ignored in favor of some of its poorer neighbors.

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	25	7.94%	29,059	15.01%	18,772	6.09%
Moderate Income	70	22.22%	34,514	17.83%	58,511	18.99%
Middle Income	125	39.68%	68,250	35.25%	137,427	44.59%
Upper Income	93	29.52%	61,628	31.83%	93,476	30.33%
N/A	2	0.63%	159	0.08%	0	0.00%
Total:	315	100%	193,610	100%	308,186	100%

Demographic Data Source: 2011 Business Geodemographic Data

The first AA consists of portions of San Francisco, San Mateo, and Marin Counties, which are located within the San Francisco MD. The AA is comprised of 315 contiguous census tracts. The San Francisco MD AA includes, but is not limited to, the cities of Belmont, Burlingame, Corte Madera, Daly City, Millbrae, Mill Valley, San Francisco, and Tiburon. The city of San Francisco is the financial center of the West Coast 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 MD are the University of California – San Francisco, Kaiser Permanente, Wells Fargo & Company, Genentech Inc, and Oracle Corporation.

The unemployment rate in San Francisco is at 8.4%, according to Moody's Analytics from December 2011. Moody's states that the tech industry will help strengthen the local economy and bring in recovery. Downsizing in the financial industries should end, which will help eliminate the drag on growth. However, the cost of living and doing business will continue to be high into the future.

TPNB faces strong competition from 57 banks operating within this AA, and ranks 37th in market share representing 0.05% of the market's deposits. The two largest banks in this AA hold a total of 67.48% of the market share. The competing institutions include, in part, Bank of America, Wells Fargo Bank, Citibank, First Republic, and Union Bank.

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	42	14.14%	17,825	11.97%	30,780	9.87%
Moderate Income	70	23.57%	24,917	16.74%	65,169	20.90%
Middle Income	95	31.99%	47,146	31.67%	99,787	32.01%
Upper Income	89	29.97%	58,709	39.44%	116,014	37.21%
N/A	1	0.34%	274	0.18%	0	0.00%
Total:	297	100%	148,871	100%	311,750	100%

Demographic Data Source: 2011 Business Geodemographic Data

The second AA consists of portions of Alameda and Contra Costa Counties, which are located within the Oakland MD. This AA is comprised of 297 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. Alameda and Contra Costa Counties are 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, San Leandro, San Ramon, and Walnut Creek.

Major employers are the University of California – Berkeley, Kaiser Permanente, Safeway, Chevron Corporation, AT&T, and John Muir Health. The unemployment rate in the Oakland MD is high at 10.6%, according to Moody's Analytics as from December 2011. Technology and construction will lead the way to economic recovery, and the unemployment rate should gradually decrease. The cost of living remains high compared to national averages.

TPNB faces strong competition from 47 banks operating within this AA, and ranks 42nd in market share representing 0.06% of the market's deposits. The two largest banks in this AA hold a total of 48.27% of the market share. The competing institutions include, in part, Wells Fargo Bank, Bank of America, Bank of the West, JP Morgan Chase Bank, Citibank, US Bank, and Union Bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

We evaluated the bank's performance based on loans originated from January 1, 2010 through February 21, 2012. We focused our evaluation on the bank's primary product, commercial loans, originated since the last CRA examination. We randomly selected 20 loans for our sample to review the bank's lending in its AAs. We used the loans located within the AAs, from that sample, and added all other loans the bank originated within the AAs, to review the bank's 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 LTD is satisfactory given the bank's size, financial condition, and the AA credit needs. Since the last CRA examination, the bank's quarterly ratio averaged 83% over the last 32 quarters ended December 31, 2011. In comparing the bank's ratio to its peer group ratio, with a quarterly average ratio of 85%, the bank's LTD ratio is reasonable and meets the standard for satisfactory performance.

Lending in AA

Table 4

TPNB Lending in AA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	13	65%	7	35%	5,282,180	74%	1,855,370	26%
Totals	13	65%	7	35%	5,282,180	74%	1,855,370	26%

Source: Sample from all new business loans originated from January 1, 2010 to February 21, 2012

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

Analysis for lending in the AA included a sample of 20 commercial loans originated from January 1, 2010 through February 21, 2012. We found 65% of loans by number and 74% by 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 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 16 commercial loans (eight in each AA) to evaluate the bank's performance. These loans were originated between January 1, 2010 and February 21, 2012, and were within the bank's AAs.

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	66.47%	3.58%	29.95%	100%
% of Bank Loans in AA by #	50.00%	38.50%	12.50%	100%
% of Bank Loans in AA by \$	75.21%	22.69%	2.10%	100%

Demographic Data Source: 2011 Business Geodemographic Data.

The preceding table indicates that 50.00% (by number of loans) and 75.21% (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 exceeds by dollar, the demographics with the Dun and Bradstreet data, which shows that 66.47% of reporting businesses had gross annual revenues of \$1 million or less.

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	68.13%	3.33%	28.54%	100%
% of Bank Loans in AA by #	62.50%	12.50%	25.00%	100%
% of Bank Loans in AA by \$	51.15%	14.14%	34.70%	100%

Demographic Data Source: 2011 Business Geodemographic Data.

The table indicates that 62.50% (by number of loans) and 51.15% (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 with the Dun and Bradstreet data, which shows that 68.13% of reporting businesses had gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the AAs and exceeds 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 bank's distribution of loans.

We reviewed the pattern for geographic distribution of lending between low- and moderate-income tracts within the AAs. The tables below detail the bank's commercial lending activity within the AAs. We used 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	4	50.00	595	25.00	15.01%
Moderate Income	2	25.00	735	30.88	17.83%
Middle Income	1	12.50	1,000	40.02	35.25%
Upper Income	1	12.50	50	2.10	31.83%
Not Available	0	0.00	0	0.00	0.08%
Total Loans:	8	100%	2,380 2,380	100%	100%

Demographic Data Source: 2011 Business Geodemographic Data

As indicated by the preceding tables, the bank exceeded the demographics of the San Francisco MD AA in low-income and moderate-income tracts both in number and dollar amount of loans. The demographic data shows that 15.01% of businesses in the bank's AA are located in low-income tracts and 17.83% are located in moderate-income tracts.

The bank's commercial lending reflects that 50% of the number and 25% of the dollar amount of loans were originated in low-income tracts. And, 25% of the number and 30.88% of the dollar amount of loans were originated in moderate-income tracts.

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	2	25.00	913	21.51	11.97%
Moderate Income	3	37.50	730	17.21	16.74%
Middle Income	2	25.00	1,327	31.29	31.67%
Upper Income	1	12.50	1,272	29.99	39.44%
Not Available	0	0.00	0	0.00	0.18%
Total Loans:	8	100%	4,242 4,242	100%	100%

Demographic Data Source: 2011 Business Geodemographic Data

As indicated by the above tables, the bank also exceeded 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 11.97% of businesses in the bank's AA are located in low-income tracts and 16.74% are located in moderate-income tracts.

The bank's commercial lending reflects that 25% of the number and 21.51% of the dollar amount of loans were originated in low-income tracts. And, 37.50% of the number and 17.21% of the dollar amount of loans were originated in moderate-income tracts.

Responses to Complaints

No written complaints concerning TPNB's CRA performance have been received since the bank's previous CRA exam dated September 15, 2003.

Fair Lending or Other Illegal Credit Practices Review

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