



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pacific One Bank, N.A.
17508**

**3021 W. Clearwater Ave, Fl.2
Kennewick, WA 99336**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, CA 94105**

NOTE: 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 **Pacific One Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 14, 1997. 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.**"

- The loan-to-deposit ratio is reasonable.
- A majority of loans are in the bank's assessment areas.
- The geographic dispersion of loans reflects reasonable dispersion throughout the assessment areas.
- Distribution of lending reflects good penetration among individuals of different income levels and businesses of different sizes.
- There were no complaints about the bank's CRA performance from the public.

DESCRIPTION OF INSTITUTION

Pacific One Bank, N.A. is a \$164 million community bank located in central Washington. The bank has a main office and seven branches. Pacific One Bank primarily serves Yakima, Benton, Franklin and Kittitas counties which include the cities of Yakima, Richland, Kennewick, Pasco, and Ellensburg. Net loans represent approximately 66% of total assets.

First Hawaiian, Incorporated purchased American National Bank on 7/31/96. First Hawaiian is a bank holding company headquartered in Honolulu, Hawaii with \$7.8 billion in assets as of 6/30/97.

American National Bank changed its name to Pacific One Bank, N.A. on 11/8/96. Concurrent with the name change, the bank purchased branches of Pioneer Federal Savings Bank of Honolulu, Hawaii, which more than doubled its asset size and the size of its assessment area. As a result, our review focused on the bank's overall performance for the first six months of 1997. Examiners also reviewed a sample of loans from the old assessment area of American National Bank for the first six months of 1996.

Pacific One's primary focus is making small business and 1 to 4 family residential real estate loans. The bank originated a total of 35 residential loans in the first six months of 1996, 24 of which were in the Tri-Cities area. The bank's focus on business lending is supported by a breakdown of the bank's loan portfolio based on the 6/30/97 Call Report. The report shows commercial and farm loans amount to 46% of total loans, 35% for loans secured by 1 to 4 family residential properties, consumer loans at 18% and 1% for other categories.

DESCRIPTION OF ASSESSMENT AREA

The bank has delineated three assessment areas (AA). The bank's assessment areas consist of the Yakima Metropolitan Statistical Area (MSA) # 9260, the Benton-Franklin MSA #6740, and Kittitas county, which is not located in an MSA.

We reviewed two community contacts that OCC performed recently. These contacts included an economic development agency and a low income housing group. Credit needs identified by these individuals consisted of the need for low income housing and more access for small business and small farm loans.

The bank collects data for CRA purposes for small business, small farm and residential real estate loans, which is used in a software program to analyze the bank's performance within its assessment areas. We tested the validity of the data collected for use in this software program, and concluded that it could not be relied upon for accurate conclusions with respect to the small business/small farm loans. We found an error rate of over 40% in files we reviewed resulting primarily from improper recording of the gross annual revenues of businesses. We determined the residential loan data was accurate.

To evaluate performance, we reviewed a sample of small business/small farm loans from each assessment area for the first six months of 1997. This sample included 30 loans from the Benton-Franklin AA, 29 from the Yakima AA, and 19 from the Kittitas county AA. We considered Home Mortgage Disclosure Act data for the Benton-Franklin AA only. The bank made approximately 70% of its total residential loans in this area. We also reviewed 15 business loans for the Benton-Franklin AA for the first six months of 1996, which was the old assessment area for American National Bank. A brief description of each assessment area follows:

Benton-Franklin Assessment Area (MSA #6740)

Based on 1990 Census Data, the Benton-Franklin MSA contains 35 census tracts. The primary population center is known as the Tri-Cities. Tri-Cities consists of the cities of Richland, Pasco and Kennewick. Prior to the 1980's, the Tri-Cities area had been dependent on employment generated by the Hanford Nuclear Reservation operated by the U.S. Department of the Energy. In the 1980's the population decreased slightly as defense spending at Hanford was reduced. The area still has an economic dependence on the Hanford Reservation, although now federal dollars are being spent on cleanup of radioactive waste at the facility. Major employers include Westinghouse-Hanford, Batelle PNL, Lamb-Weston and Iowa Beef.

Based on 1990 Census Data, total population was approximately 150,000 and the median housing value was \$58,200. The 1997 Housing and Urban Development (HUD) updated median family income is \$42,800. Competition includes at least four other commercial banks, three savings banks and numerous mortgage companies and credit unions. The following table shows the number and percent of census tracts by income level, and the percent of total families residing in those census tracts.

Benton-Franklin AA Number Of Census Tracts And Percentage Of Families By Income Category

INCOME CHARACTERISTIC OF CENSUS TRACT	# OF TOTAL CENSUS TRACTS	% OF TOTAL CENSUS TRACTS	% OF TOTAL FAMILIES
Low Income	N/A	N/A	N/A
Moderate Income	10	29%	25%
Middle Income	16	45%	48%
Upper Income	8	23%	27%
Not Applicable*	1	3%	0%
TOTAL:	35	100%	100%

*Not Applicable: One census tract is comprised of the Hanford Nuclear Reservation and no families live here.

Yakima Assessment Area (MSA #9260)

Based on 1990 Census Data, the Yakima MSA contains 33 census tracts. The economy is dependent on agricultural activities, primarily for the production, packing and storage of fruit. Employment is centered primarily in services (23% of total employment), farm employment (15.2%) and retail trade (15%).

The 1990 U. S. Census reported a total population of approximately 188,823 and a median housing value of \$49,600. The 1997 Housing and Urban Development (HUD) updated median family income is \$32,800. Competition is significant, ranging from at least seven commercial banks and three savings banks, in addition to numerous mortgage companies and credit unions. The following table shows demographics for the AA.

Yakima AA Number of Census Tracts And Percentage Of Families By Income Category

INCOME CHARACTERISTIC OF CENSUS TRACT	# OF TOTAL CENSUS TRACTS	% OF TOTAL CENSUS TRACTS	% OF TOTAL FAMILIES
Low Income	1	3%	1%
Moderate Income	11	33%	29%
Middle Income	14	43%	43%
Upper Income	7	21%	27%
TOTAL:	33	100%	100%

Kittitas County Assessment Area

Based on 1990 Census Data, the Kittitas AA contains seven Block Numbering Areas (BNA's) with a population of approximately 27,000. The 1990 median housing value was \$53,000. The primary population center is Ellensburg. Employment is centered in government (26% of total employment) retail trade (22.8%), and services (20.5%). The 1997 statewide non-metropolitan median family income is \$35,100. Competition includes at least five other commercial banks, and two savings banks. The following table shows AA demographics.

Kittitas County AA Number of BNAs And Percentage Of Families By Income Category

INCOME CHARACTERISTIC OF BNA	# OF TOTAL BNA'S	% OF TOTAL BNA'S	% OF TOTAL FAMILIES
Low Income*	0	N/A	N/A
Moderate Income	1	14%	8%
Middle Income	6	86%	92%
Upper Income*	0	N/A	N/A
TOTAL:	7	100%	100%

* Not applicable, there are no low or upper income block numbering areas in the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT (LTD) RATIO

We consider Pacific One's loan-to-deposit ratio to be reasonable. The bank's average LTD ratio over the last eight quarters ending 3/3/97 is 74.7%. The LTD ratio ranged from a high of 89.2% as of 9/30/96 to a low of 64.2% as of 9/30/95.

We compared Pacific One's performance under this criterion to four other commercial banks in the assessment area ranging in size from \$36 million to \$99 million. These institutions had a combined LTD ratio of 75.9% over the same period. The bank's LTD ratio is comparable.

LENDING IN ASSESSMENT AREAS

We consider the lending in the assessment areas to be satisfactory. The bank originated 94% of its loans based on number of loans and 85% based on the dollar amount within the three assessment areas.

We analyzed the bank's distribution of small business, small farm and residential real estate loans over all assessment areas combined to eliminate the possibility of double counting loans made outside of each assessment area but within the bank's total assessment areas.

LENDING DISTRIBUTION TO BORROWERS OF DIFFERENT INCOMES AND DIFFERENT SIZE BUSINESSES

The distribution of loans among borrowers of different income levels and businesses by size is reasonable. Small business and 1 to 4 family residential real estate loans comprise

80% of the bank's loan portfolio as of 6/30/97. Small businesses are characterized as those with gross annual revenues less than \$1 million.

Benton-Franklin Assessment Area (MSA #6740)

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The following tables demonstrate the bank's performance.

Benton-Franklin AA Distribution For Business Loans Originated 1/1/97-6/30/97

GROSS BUSINESS REVENUES (000'S)	# OF LOANS	% OF LOANS
0 - \$99	7	23.5%
\$100 - \$249	2	7%
\$250 - \$499	7	23.5%
\$500 - \$999	4	13%
\$1,000+	10	33%
TOTAL:	30	100%

As evidenced by the above table, 67% of the bank's small business loans were made to businesses with revenues less than \$1 million. According to 1996 Dun and Bradstreet data, 72% of all businesses in MSA 6740 have revenues of less than \$1 million.

We also reviewed a limited sample of the former American National Bank's business lending for the first six months of 1996 to determine if the bank's lending patterns had changed significantly. The following table shows American National Bank's performance during this period.

Benton-Franklin AA 1996 Business Lending Distribution

GROSS BUSINESS REVENUES (000'S)	# OF LOANS REVIEWED	% OF LOANS REVIEWED
0-99	2	13%
100-249	3	20%
250-499	3	20%
500-999	3	20%
1,000 +	4	27%
TOTAL:	15	100%

As evidenced by the data above, 73% of the sampled loans were made to businesses with revenues less than \$1 million which compares to 1997 performance.

Benton-Franklin AA Distribution By Borrowers Income For

Residential Real Estate Loans Originated 1/1/97-6/30/97

APPLICANT INCOME AS A PERCENT OF MSA MEDIAN	% OF TOTAL FAMILIES	# OF 1 TO 4 FAMILY RESIDENTIAL LOANS	% OF 1 TO 4 FAMILY RESIDENTIAL LOANS
Low Income	1%	1	4%
Moderate Income	29%	4	17%
Middle Income	43%	6	25%
Upper Income	27%	13	54%
TOTAL:	100%	24	100%

The data reflects a reasonable distribution of residential loans among borrowers of different incomes. The bank originated 21% of it's residential loans to individuals with low and moderate incomes which comprise 30% of the population in the assessment area.

Yakima Assessment Area (MSA 9260)

The bank's lending to businesses of different sizes is good. This MSA was not part of the bank's AA prior to November, 1996. We did not consider residential real estate lending since the bank focuses on business lending in the AA. Pacific One originated four residential real estate loans during the first six months of 1997. Given the small number of loans, it is difficult to form a conclusion regarding the banks lending to borrowers of different incomes. The following table illustrates the bank's performance.

Yakima AA Distribution of Business Loans Originated 1/1/97-6/30/97

GROSS BUSINESS REVENUES (000'S)	# OF LOANS	% OF LOANS
0 - \$99	6	21%
\$100 - \$249	10	34%
\$250 - \$499	7	24%
\$500 - \$999	4	14%
\$1,000+	2	7%
TOTAL:	29	100%

As evidenced by the table, 93% of the small business loans sampled were made to businesses with revenues less than \$1 million. According to 1996 Dun and Bradstreet data, 73% of all businesses in MSA 9260 have revenues of less than \$1 million.

Kittitas County Assessment Area

We consider the bank's performance with respect to lending to businesses of different sizes to be very good. The primary focus of the bank is small business lending for this AA. The bank originated seven residential real estate loans through the first six months of 1997 in Kittitas county, which prior to November, 1996 was not part of the bank's assessment area. Given the small number of residential real estate loans and the bank's business focus, our evaluation was based on lending to businesses of different sizes.

Kittitas County AA
Distribution Of Business Loans Originated 1/1/97-6/30/97 By Revenue Size

GROSS BUSINESS REVENUES (000'S)	# OF LOANS	% OF LOANS
0 - \$100	7	37%
\$100 - \$249	6	32%
\$250 - \$499	5	26%
\$500 - \$999	0	0%
\$1,000+	1	5%
TOTAL:	19	100%

As evidenced by the table, 95% of the bank's small business loans were made to businesses with revenues less than \$1 million. According to 1996 Dun and Bradstreet data, 81% of all businesses in Kittitas county have revenues of less than \$1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

For purposes of determining the geographic distribution of loans within the assessment areas, we combined residential loans and small business/small farm loans. This was done because the bank has made relatively few residential loans and analyzing these by product type would not provide meaningful information.

Benton-Franklin Assessment Area (MSA #6740)

The geographic distribution of loans in the Benton Franklin assessment area corresponds to the income distribution of census tracts and reflects reasonable dispersion among census tracts throughout the assessment area. The following table shows the bank's performance.

Benton-Franklin AA Geographic Distribution Of Small Business And

Residential Real Estate Loans Originated 1/1/97-6/30/97

INCOME CHARACTERISTIC OF CENSUS TRACT	% OF TOTAL CENSUS TRACTS	# OF BUSINESS AND RESIDENTIAL LOANS	% OF BUSINESS AND RESIDENTIAL LOANS
Low Income	N/A	N/A	N/A
Moderate Income	28%	16	31%
Middle Income	46%	20	39%
Upper Income	23%	15	30%
N/A*	3%	N/A	N/A
TOTAL:	100%	51	100%

*N/A: Not applicable. This census tract is comprised entirely of the Hanford Nuclear Reservation, and no families live there. The moderate income census tracts include 19% of the businesses/farms and 25% of the families reside in these census tracts.

Yakima Assessment Area (MSA #9260)

The geographic distribution of loans in the Yakima assessment area reflects reasonable dispersion throughout the assessment area, considering the bank's limited presence and large geographic area. As a new bank in the area, Pacific One has to develop a product line and marketing support to develop business in the AA and that process is still evolving. The bank has one branch in the MSA, which covers a significant territory. The majority of the AA businesses/farms and population reside in middle and upper income census tracts. The following table demonstrates the bank's performance.

Yakima AA Geographic Distribution of Small Business And Residential Real Estate Loans Originated 1/1/97-6/30/97

INCOME CHARACTERISTIC OF CENSUS TRACT	% OF TOTAL CENSUS TRACTS	# OF BUSINESS AND RESIDENTIAL LOANS	% OF BUSINESS AND RESIDENTIAL LOANS
Low Income	3%	0	0%
Moderate Income	34%	3	9%
Middle Income	42%	22	69%
Upper Income	21%	7	22%
TOTAL	100%	32	100%

Low and moderate income geographies account for 37% of the census tracts in the AA. Low income census tracts comprise 12% of the businesses/farms and less than 1% of the families. Moderate income census tracts include 28% of the businesses/farms and 29% of the families. The bank made 9% of it's loans in the moderate income tracts. This MSA was not part of the bank's assessment area prior to November, 1996.

Kittitas County Assessment Area

The geographic distribution of loans in Kittitas county assessment area reflects reasonable dispersion throughout the assessment area. The following table illustrates the bank's performance.

Kittitas County AA Geographic Distribution Of Small Business And Residential Real Estate Loans Originated 1/1/97-6/30/97

INCOME CHARACTERISTIC OF BNA	% OF TOTAL BNAs	# OF BUSINESS AND RESIDENTIAL LOANS	% OF BUSINESS AND RESIDENTIAL LOANS
Low Income	N/A	N/A	N/A
Moderate Income	14%	5	19%
Middle Income	86%	21	81%
Upper Income	N/A	N/A	N/A
TOTAL:	100%	26	100%

Moderate income BNAs comprise 73% of businesses/farms for the AA, and 8% of the families reside in these census tracts. The bank's performance is reasonable given the competition in the area and the limited time the bank has served this AA .

RESPONSE TO COMPLAINTS

Pacific One has not received any consumer complaints related to its CRA performance since the last OCC examination.

RECORD OF COMPLYING WITH ANTIDISCRIMINATION LAWS

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.