



SMALL BANK

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

PUBLIC DISCLOSURE

August 27, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Asian Pacific National Bank
Charter Number 23006**

**333 West Valley Boulevard
San Gabriel, CA 91776**

**Comptroller of the Currency
Southern California North Field Office
550 North Brand Boulevard, Suite 500
Glendale, CA 91203**

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.

- Lending within the assessment area meets the standard for satisfactory performance.
- Lending patterns exceeds the standard for satisfactory performance, with excellent penetration among businesses of different sizes, specifically small businesses.
- The geographic distribution of loans exceeds the standard for satisfactory performance, with excellent dispersion in the defined CRA marketing area.
- The loan-to-deposit ratio meets the standard for satisfactory performance.

DESCRIPTION OF INSTITUTION

Asian Pacific National Bank (APNB or the bank) opened in August 1990 as an industrial thrift and loan association. The institution converted to a national bank charter effective December 1995. The main office is located in San Gabriel, California. In December 1997, APNB opened a second branch in Rowland Heights, California.

APNB is primarily a commercial lender focused on lending to small and medium size businesses. As of June 30, 2007, APNB reported assets of \$53 million, of which \$19 million (36 percent) were centered in commercial loans. Commercial loans secured by commercial real estate comprise 98 percent of APNB's lending. The loan portfolio was distributed as follows: real estate (commercial purpose) \$18 million (98 percent), commercial \$306 thousand (2 percent), and other loans of \$46 thousand (less than 1 percent). Retail banking services are offered but are limited to serving the banking needs of individuals who have established commercial relationships. The bank does not own nor operate automated teller machines.

There are no financial or legal impediments that would affect APNB's ability to meet the credit needs of its assessment area. The bank received a "Satisfactory" rating from the prior CRA examination performed in July 2002.

DESCRIPTION OF THE ASSESSMENT AREA

APNB has designated as its assessment area (AA) the communities in the San Gabriel Valley surrounding the two branches. The San Gabriel Valley is located east of downtown Los Angeles, California. The AA includes the Southern California cities of Pasadena, Alhambra, San Gabriel, El Monte, South El Monte, Monterey Park, Rosemead, Temple City, Diamond Bar, Hacienda Heights, City of Industry, La Puente, Rowland Heights, Walnut, and West Covina.

The AA includes whole census tracts within the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area (Los Angeles MSA). The AA meets the requirements of the regulation, and does not arbitrarily exclude low- and moderate-income geographies.

APNB’s AA contains 383 of the total 2,054 census tracts that make-up the Los Angeles MSA. Please refer to Table 1 below for additional demographic details.

Table 1

ASSESSMENT AREA DEMOGRAPHIC INFORMATION					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNA's)	383	1%	16%	42%	41%
Population by Geography	1,896,870	1%	18%	44%	37%
Owner-Occupied Housing by Geography	591,772	1%	9%	39%	51%
Business by Geography	136,548	1%	19%	36%	44%
Family Distribution by Income Level	441,128	1%	16%	42%	41%
Distribution of Low-and Moderate-Income Families located in AA	149,160	2%	27%	47%	24%
Median Family Income = \$46,509 HUD Adjusted Median Family Income for 2006 = \$56,200 Households Below the Poverty Level = 11.48%		Median Housing Value = \$221,066 Unemployment rate: 5.4%			

Sources: 2000 U. S. Census; 2006 Dun and Bradstreet; 2006 HUD

The Los Angeles MSA is a complex and highly diversified urban area. Competition is strong for the available business in the bank’s AA. Within APNB’s AA, numerous financial institutions focus on marketing their banking products and services to the Asian community. Local competition includes branches of larger regional banks, credit card banks, and other non-bank financial institutions. This intense competition has affected new business opportunities. Los Angeles County has a diverse economic base with major employers including government, health services, entertainment, leisure and hospitality, and financial services. Concerns exist over the impact of the high cost of doing business in the area and potential job layoffs as the real estate market cools down.

As part of this examination, we reviewed information from three community organizations knowledgeable about community credit needs. These contacts included an economic development organization, a minority revolving loan fund, and a community development corporation. Each organization identified the area’s major credit needs are small business loans and affordable housing. Another area need includes investments in non-profit loan funds that benefit borrowers that are not yet bankable.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

We evaluated the bank's performance based on loans originated from January 1, 2003 through June 30, 2007. Our evaluation focused on commercial lending activity. We sampled 22 commercial real estate loans. The bank is not required to collect and report revenue information for business loans.

Lending in the Assessment Area

Lending within the AA meets the standards for satisfactory performance. A majority of loan originations by dollars were made to businesses located within the AA. By number, an equal number of loans were made to borrowers located within and outside the AA. Please see Table 2 below.

Table 2

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial RE	11	50%	11	50%	22	\$4,274,000	55%	\$3,551,000	45%	\$7,825,000

Source: Loan sample

Lending to Businesses of Different Sizes

APNB's distribution of lending to businesses of different sizes is excellent, and shows a good responsiveness to meeting the community's credit needs. The percentage, by number and dollar amount, of loans to small businesses exceeds area demographics. Please see Table 3 below.

Table 3

Borrower Distribution of Loans in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	6%	28%	100%
% of Bank Loans in AA by #	82%	18%	0%	100%
% of Bank Loans in AA by \$	72%	28%	0%	100%

Source: Loan Sample

Geographic Distribution of Loans

APNB's geographic distribution of loans reflects excellent dispersion throughout the assessment area. The percentage of loans originated in low- and moderate-income geographies exceeds the area demographics. Please see Table 4 below.

Table 4

Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Real Estate	1%	9%	19%	27%	36%	55%	44%	9%

Source: Loan Sample

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio (LTD) is reasonable. For the period ending June 30, 2007, the 18 quarter average LTD ratio was 59 percent. The LTD ratio has been continually declining each quarter due to fierce competition and loan payoffs. Competition from other local commercial banks is strong and finding new business opportunities (loans) has been challenging.

The average LTD ratio for the four most similarly situated financial institutions was 77 percent, ranging from 51 percent to 96 percent. Similarly situated financial institutions are of similar asset size, business focus, and provide comparable banking services to the same communities as APNB.

Responses to Complaints

There were no complaints associated with APNB's performance under the provisions of the CRA.

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.