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**Comptroller of the Currency  
Administrator of National Banks**

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SMALL INSTITUTION EVALUATION

**PUBLIC DISCLOSURE**

**January 6, 1999**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Trans Pacific National Bank  
Charter Number 18358**

**46 Second Street  
San Francisco, CA 94105-3440**

**Comptroller of the Currency  
Western District  
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.**

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## 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 **Trans Pacific National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of January 5, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **“Satisfactory.”** The factors supporting the bank's overall rating include the following:

- C A reasonable loan-to-deposit ratio;
- C A majority (60%) of loans are within the assessment area;
- C A good geographic distribution of loans within the assessment area; and
- C A reasonable distribution of loans between businesses of different sizes.

## DEFINITIONS OF TERMS APPLIED IN THIS PUBLIC DISCLOSURE

### **Low - Income Geography:**

For a census tract: The median *family* income is less than 50% of the median *family* income for the MSA in which it is located.

### **Moderate - Income Geography:**

For a census tract: The median *family* income is equal to or greater than 50% and less than 80% of the median *family* income for the MSA in which it is located.

### **Middle - Income Geography:**

For a census tract: The median *family* income is equal to or greater than 80% and less than 120% of the median *family* income for the MSA in which it is located.

### **Upper - Income Geography:**

For a census tract: The median *family* income is equal to or greater than 120% of the median *family* income for the MSA in which it is located.

### **HMDA:**

Abbreviation for “Home Mortgage Disclosure Act”.

### **LMI:**

Abbreviation for “low- or moderate - income”. Characterizes geographies and families.

### **Median Family Income:**

As determined by U.S. Census Bureau data in 1990.

### **1998 HUD Median Family Income:**

Updated U.S. Census Bureau data, determined by the Department of Housing and Urban Development for 1998.

### **MSA:**

Metropolitan Statistical Area.

## DESCRIPTION OF INSTITUTION

**Trans Pacific National Bank (TPNB)** is a community bank that was founded in September 1984. It is a wholly owned subsidiary of Trans Pacific Bancorp, a one-bank holding company located in San Francisco, California. As of December 31, 1998, the bank has **assets of \$91 million, loans of \$57 million, and deposits of \$76 million.** The institution 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, and there is one branch across the bay in Alameda. On December 18, 1998, the bank opened a new office in Belmont, California which is located in San Mateo County. This office is not included in this evaluation. The bank has no ATMs.

The bank focuses its lending activity on commercial real estate and business loans. These loans account for 95% of the total loans outstanding as of December 31, 1998. Consumer lending and services are extended primarily to principals and employees of commercial customers. There are no legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community.

The following table portrays the loan mix of the bank:

Types of Loans Outstanding December 31, 1998		
Loan Type	\$000	Percent
Commercial Real Estate	33,192	58%
Business Loans	21,298	37%
Consumer Loans	233	0.4%
Other Loans	2,468	4%
<b>Total</b>	<b>57,191</b>	<b>100%</b>

Source: Bank data

The bank received a "Satisfactory" rating in its prior CRA evaluation, dated October 1996. The bank's branches are located in urban areas, which are highly competitive for deposit and lending customers. These metropolitan areas are dominated by branches of larger regional and multinational financial institutions, which offer consumers a wider variety of products to suit their credit needs.

## DESCRIPTION OF ASSESSMENT AREA

TPNB has defined its assessment area (AA) as all of the areas within a five-mile radius from the San Francisco and Alameda offices. The AA consists entirely of whole census tracts. This designation complies with the

regulation and does not arbitrarily exclude LMI areas.

- C The San Francisco portion of the AA is part, but not all, of that city. The City of San Francisco is only a segment of the San Francisco MSA.
- C The portion of the AA surrounding the Alameda office will be referred to throughout this analysis as “Alameda / Oakland”. This portion of the AA incorporates the city of Alameda and adjoining sections of the cities of Berkeley, Emeryville, Oakland, and San Leandro. It falls within the larger Oakland MSA.
- C The San Francisco and Oakland MSAs include other cities and counties that are not part of the bank’s assessment area. Although the bank’s AA consists of portions of two MSAs separated by the San Francisco Bay, it is reasonable to consider their combination as one assessment area. The major arterial highway traversing the Oakland Bay Bridge connects the two areas economically.

The full AA includes 224 census tracts with a 1990 population of 911,615 individuals. Twenty percent of the families in the AA reside in low-income census tracts and 31% reside in moderate-income tracts. Meetings between federal regulatory agencies and community groups within these urban areas have identified affordable housing and small business financing as the primary credit needs within the San Francisco and Oakland MSAs. The following table reflects the demographics of the assessment area.

<b>Assessment Area Demographics</b>			
<b>Income Category of Census Tract</b>	<b>Number of Census Tracts</b>	<b>Percent of Total Census Tracts</b>	<b>Percent of Total Families Residing Within Each Census Tract Income Category **</b>
Low Income	53	24%	20%
Moderate Income	63	28%	31%
Middle Income	65	29%	35%
Upper Income	34	15%	14%
N/A *	9	4%	0%
<b>Total</b>	<b>224</b>	<b>100%</b>	<b>100%</b>

Source: 1990 Census data

\* Census tracts with no reported income.

\*\* Percentages are based on income category of the tracts, not the income of the families.

The demographic make-up of the San Francisco and Alameda / Oakland portions of the AA have some differences. For an overview of the entire assessment area, separate discussions are provided below for

descriptive purposes. Our analysis and ratings of the bank’s performance cover the entire assessment area.

***San Francisco Portion of the Assessment Area***

This portion of the AA contains 133 census tracts out of a total of 152 census tracts in the city of San Francisco, and is populated by 599,303 individuals. The 1990 Census median family income is \$49,282; the updated 1998 HUD median family income is \$64,400.

<b>Demographics of the San Francisco Portion of the AA</b>			
<b>Income Category of Census Tract</b>	<b>Number of Census Tracts</b>	<b>Percent of Total Census Tracts</b>	<b>Percent of Total Families Residing Within Each Census Tract Income Category **</b>
Low Income	23	17%	15%
Moderate Income	40	30%	32%
Middle Income	42	32%	37%
Upper Income	25	19%	16%
N/A *	3	2%	0%
<b>Total</b>	<b>133</b>	<b>100%</b>	<b>100%</b>

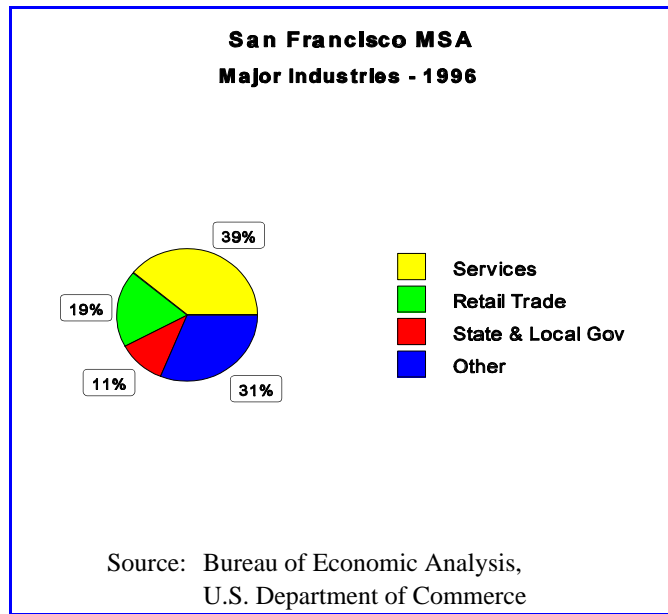
Source: 1990 Census data

\* Census tracts with no reported income.

\*\* Percentages are based on income category of the tracts, not the income of the families.

As reflected in the table above, 47% of families reside in LMI tracts. The median housing value is \$322 thousand, and the median age of housing stock is 55 years. Total housing units are composed of 29% owner-occupied, 64% rental, and 7% vacant units. San Francisco is a major financial, legal, accounting, government, and retail center as well as a major tourist attraction.

The following chart illustrates the contribution by specific sectors toward total 1996 industry earnings of the entire San Francisco MSA. {San Francisco, Marin, and San Mateo Counties.} The largest industries were services (39% of earnings); finance, insurance and real estate (19%); and state and local government (11%).



***Alameda / Oakland Portion of the Assessment Area***

This portion of the AA contains 91 census tracts out of a total of 314 census tracts in Alameda County, and is populated by 312,312 individuals. The 1990 census median family income is \$47,516; the updated 1998 HUD median family income is \$60,100.

<b>Demographics of the Alameda / Oakland Portion of the AA</b>			
<b>Income Category of Census Tract</b>	<b>Number of Census Tracts</b>	<b>Percent of Total Census Tracts</b>	<b>Percent of Total Families Residing Within Each Census Tract Income Category **</b>
Low Income	30	33%	29%
Moderate Income	23	25%	29%
Middle Income	23	25%	30%
Upper Income	9	10%	12%
N/A *	6	7%	0%
<b>Total</b>	<b>91</b>	<b>100%</b>	<b>100%</b>

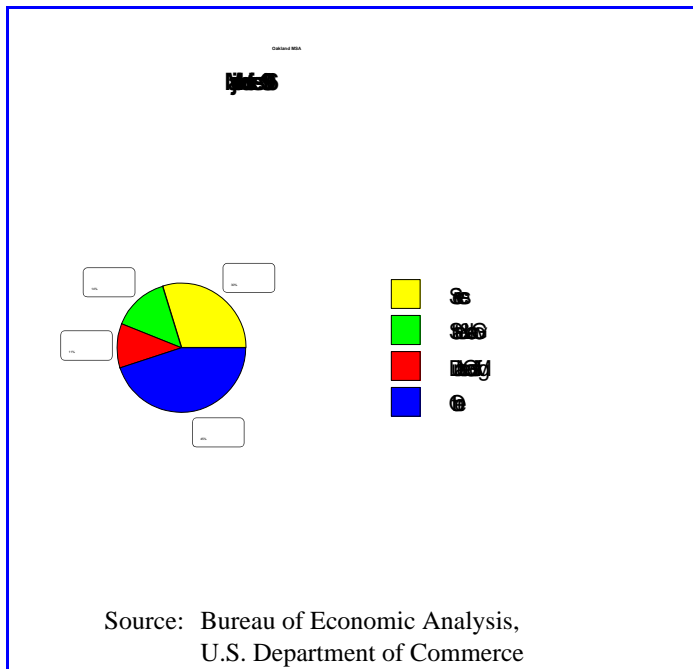


Source: 1990 Census data

\* Census tracts with no reported income.

\*\* Percentages are based on income category of the tracts, not the income of the families.

As reflected in the table above, 58% of families reside in LMI tracts. The median housing value is \$196 thousand, and the median age of housing stock is 50 years. Total housing units are composed of 34% owner-occupied, 60% rental, and 6% vacant units.

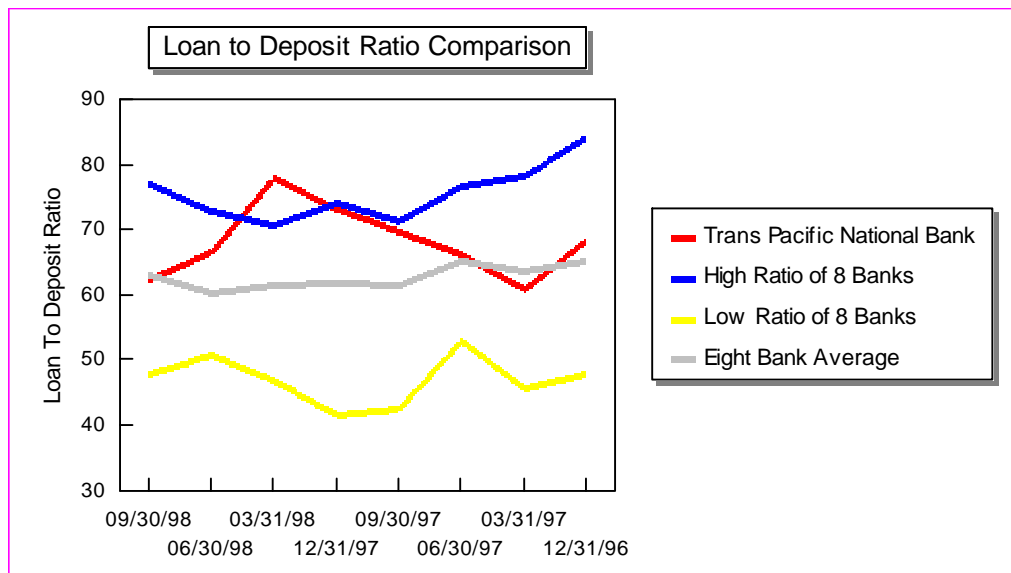


The following chart illustrates the contribution by specific sectors toward total 1996 industry earnings of the entire Oakland MSA. {Alameda and Contra Costa Counties.} The largest industries were services (30% of earnings); state and local government (14%); and durable goods manufacturing (11%).

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### *Scope of Review*

This review covers the time period from January 1, 1997 to December 31, 1998, using bank generated information which we tested for accuracy. The bank is primarily a business lender, with consumer loans made as an accommodation to its commercial borrowers.



We determined that an analysis of the bank's business lending represents the most meaningful information for our evaluation. For the purpose of our review, business lending includes commercial real estate loans and commercial business loans.

### *Loan to Deposit Ratio*

- C The bank's loan-to-deposit ratio is *reasonable* given the bank's size, financial condition, and assessment area credit needs

We evaluated the bank's loan-to-deposit ratio for eight quarters ending September 30, 1998. We then compared this ratio to eight additional financial institutions with headquarters in the assessment area, and with total assets between \$50 million and \$130 million. The loan-to-deposit ratio for the eight banks ranged from 42% to 78%, and averaged 63% for the eight quarters reviewed. The bank's ratio ranged from 61% to 78%, and averaged 68%.

The following chart compares TPNB's quarterly loan-to-deposit ratio to the average of the eight banks, and the quarterly high and low ratio among the eight banks.

**Assessment Area Concentration**

C The bank *meets the standards for satisfactory performance* in this area. A majority of loans (60%) originated during the review period are in the assessment area.

Lending Inside and Outside AA				
Location	# of Loans	% of Total	\$ of Loans (000's)	% of Total
In AA	74	60%	19,219	37%
Out of AA	49	40%	32,017	63%
Total	123	100%	51,236	100%

Source: Bank data

The above table shows that the majority of the bank’s lending activity during the review period was within the assessment area. Of the 123 loans originated, 74 were in the AA, totaling \$19.2 million. We consider the number of loans to be the most representative of the bank’s lending activity. The high dollar volume represented by loans outside the AA is attributed to several large commercial real estate loans.

**Geographic Distribution of Loans**

C The bank *exceeds the standards for satisfactory performance* in this area.

The following table shows the distribution of census tracts within the AA by income; distribution of businesses; and the distribution of loans originated by census tract income.

Demographics		Loan Originations 1997 & 1998				
Census Tracts		% of Total Businesses in Tract	# of Loans	% of Total #	Loans (\$000's)	% of Total \$
Low Income	24%	36%	35	47%	11,785	66%
Moderate Income	28%	23%	10	14%	2,738	15%
Middle Income	29%	24%	16	22%	2,551	13%
Upper Income	15%	16%	13	18%	2,145	6%
N/A *	4%	1%	0	0%	0	0%
Total	100%	100%	74	100%	19,219	100%

Source: 1990 Census data and bank generated reports

Forty seven percent of the number and 66% of the dollar volume of loans originated were in low-income tracts; and 14% of the number and 15% of the dollar volume were in moderate income tracts. LMI tracts account for 52% of the total tracts, and 59% of total businesses in the AA are located in these tracts. The bank's combined lending in LMI tracts represented 61% of the number and 81% of the dollar volume of total loans originated within the assessment area.

#### ***Distribution of Credit Within the AA by Borrower Income***

The bank collects business income information by revenue of \$1 million dollars or less, and by revenue greater than \$1 million. We used these categories in our analysis of this performance criterion.

C Distribution of credit among businesses of different sizes is reasonable and ***meets the standards for satisfactory performance.***

The table below shows the business demographics of the AA by revenue and the loans originated during the review period by revenue size of the borrower.

Businesses Within AA By Revenue			Loans Originated (By Revenue of Borrower)			
Revenue Size	# of Businesses	% of Total	# of Loans	% of Total #	Loans (\$000's)	% of Total \$
\$1 million or less	41,653	88%	51	69%	17,635	92%
Greater than \$1 million	5,571	12%	23	31%	1,584	8%
Total	47,224	100%	74	100%	19,219	100%

Source: 1997 Dun & Bradstreet data; and bank generated reports

Loans to businesses of different sizes are distributed satisfactorily. Eighty eight percent of the businesses within the AA reported revenues of \$1 million or less. Sixty nine percent of the bank's originations by number and 92% by dollar volume were to businesses with the same size characteristic.

## **OTHER ITEMS**

### ***Response to Complaints:***

Management has not received any complaints about the bank's CRA performance since the last CRA evaluation conducted in October 1996.

### ***Fair Lending Examination:***

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations.