



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 27, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mission National Bank
Charter Number 17176

3060 16th Street
San Francisco, CA 94103

Office of the Comptroller of the Currency

San Francisco Field Office
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.

Mission National Bank (MNB) satisfactorily meets the credit needs of its assessment area, including low- and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- MNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its community.
- The bank's lending in its assessment areas meets the standard for satisfactory performance.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its assessment areas.
- The bank's geographic distribution of loans reflects excellent dispersion throughout its assessment areas.
- There have been no written complaints regarding the bank's performance in meeting its community's credit needs.

SCOPE OF EXAMINATION

We evaluated the bank's performance based on loans originated from January 1, 2003, through June 30, 2008. We focused our evaluation on the bank's primary product lines, real estate loans and commercial loans (grouped under the title "business loans") originated since the last CRA examination. We randomly selected 20 loans for our sample to review the bank's lending in its assessment areas. We increased our sample to 20 loans within each assessment area to review its income and geographic distribution of loans, and its overall CRA performance. Home mortgage and agricultural loan products were not selected in our sample since the bank is not a major mortgage or agricultural lender in this market.

DESCRIPTION OF INSTITUTION

Mission National Bank (MNB) is a wholly owned subsidiary of MNB Holdings Corporation, a one-bank holding company, located in San Francisco, California. The bank, established in 1982, provides general banking services through its headquarters office, a second branch in San Francisco, and a third branch in Berkeley, California. There are two ATM's, one in the main office and one in the Berkeley branch. As of June 30, 2008, MNB had total assets of \$147 million with \$124 million in loans, which represents total loans to total assets of 84%.

MNB's corporate structure has not changed since our last CRA examination. The bank focuses its lending activity on commercial real estate and business loans, although consumer and other products are also available. They are a niche bank with their primary focus on underserved markets, including gas stations and convenience stores, hotels and motels, and residential care homes.

There are no legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community. The bank's CRA performance was previously evaluated on February 3, 2003, and found to be satisfactory.

Table 1

MISSION NATIONAL BANK LOAN PORTFOLIO COMPOSITION		
Loan Type	\$ Volume (000)	% of Portfolio
Real Estate Loans	117,444	95.0%
Commercial	4,845	4.0%
Individual Loans	622	0.5%
Other	612	0.5%
Total Loans	123,523	100.0%

Source: Call Report as of 6/30/08

Please refer to the bank's CRA public file for more information about the institution.

DESCRIPTION OF ASSESSMENT AREA(S)

Management and the Board have designated 497 census tracts located in two counties, in two separate Metropolitan Statistical Areas (MSAs), as their assessment areas (AAs). They designated San Francisco County as their first AA, which is located in the San Francisco MSA, and consists of 176 census tracts. The bank's second AA includes all of Alameda County, which is located in the Oakland-Hayward-Fremont MSA, and is comprised of 321 census tracts. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

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 was a representative of a local non-profit organization. The contact feels there is a need for local banks to provide more financial counseling for monolingual (Spanish speaking) individuals.

San Francisco MSA Assessment Area

The first AA consists of 176 census tracts in San Francisco County, which were determined by the 2000 U.S. Census. San Francisco County is located on the West Coast of the United States at the tip of the San Francisco Peninsula, and includes significant stretches of the Pacific Ocean and the San Francisco Bay within its

boundaries. The mainland, within the city limits, roughly forms a seven-by-seven mile square.

The following table highlights the demographic composition of the San Francisco AA.

Table 2

SAN FRANCISCO MSA AA						
INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
Income of Census Tract	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	24	13.64%	23,459	28.28%	17,219	11.70%
Moderate Income	55	31.25%	22,098	26.64%	40,383	27.44%
Middle Income	61	34.66%	19,532	23.54%	61,832	42.01%
Upper Income	36	20.45%	17,876	21.55%	27,752	18.86%
N/A	0	0%	0	0%	0	0%
Total:	176	100%	82,965	100.00%	147,186	100%

Source: 2007 Dun & Bradstreet

The total population of the AA is 776,733. The businesses in this AA are evenly distributed among all income levels.

According to Moody's Economy.com from 2008, San Francisco's economy has slowed, but the economy has so far avoided recession. Some weakness is evident from the unemployment numbers that jumped during the summer of 2008, but remains below 5%. Labor market conditions were stable in all industries. Growth may have come to a halt, but there is no downturn at this point. Construction is stable and close to the high range of the last five years. Household credit quality remains good. The economy is stable with diminished risk of recession. The labor market remains stable, the hospitality market remains very stable, construction prospects remain good, and the local housing market is low risk. Major employers include University of California SF, United Airlines, Wells Fargo & Company, Kaiser Permanente, Macy's West and Genetech, Inc.

The three largest employment sectors in the San Francisco MSA employ 75.82% of the civilian workforce: Services (43.93%), Non-Classifiable Establishments (16.58%) and Retail (15.31%). According to the 2007 Business Geodemographic Data, there are 83,441 businesses that operate within this AA. Of those, approximately 67% have reported annual revenues of \$1 million or less. Approximately 68% employ fewer than ten people. The weighted average of median family income is \$69,063 and the weighted average of median housing is \$503,348.

Competition in the area is strong with 53 banks operating within San Francisco County. MNB ranks 25th in deposit market share with 0.11%. The three largest banks hold 73.92% of the deposit market share. Other area banks include Wells Fargo, Citibank and Union Bank of California.

Oakland-Fremont-Hayward MSA AA

The second AA includes all of Alameda County and contains 321 census tracts, which were determined by the 2000 U.S. Census. According to the U.S. Census Bureau, the

county has a total area of 821 square miles, of which 738 square miles is land and 84 square miles (10.18%) is water. The San Francisco Bay borders the county on the west. The crest of the Berkeley Hills forms part of the northeastern boundary, and reaches into the center of the county. A coastal plain several miles wide lines the bay, and is home to the city of Oakland and the most populated regions. Livermore Valley lies in the eastern part of the county.

The following table shows the demographics of the AA.

Table 3

OAKLAND-FREMONT-HAYWARD MSA 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	13.08%	15,217	14.06%	30,780	9.00%
Moderate Income	71	22.12%	19,528	18.04%	66,429	19.42%
Middle Income	126	39.25%	42,575	39.34%	143,831	42.05%
Upper Income	81	25.23%	30,647	28.32%	101,008	29.53%
N/A	1	0.31%	257	0.24%	0	0%
Total:	321	100%	108,224	100%	342,048	100%

Source: 2007 Dun & Bradstreet

The total population of this AA is 1,443,741. The majority of businesses are located in the middle and upper census tracts. Owner-occupied housing represents 53% of all housing units in the AA. The weighted average of median family income is \$70,070, while the weighted average of median housing is \$294,139.

According to Moody's Economy.com from 2007, the Oakland metro division economy is struggling, which will continue into the near term. Employment growth has fallen in the last three quarters, with the downturn spread broadly across most industries. Jobless rates have soared above national averages. House prices are falling at an accelerated pace, and household credit conditions are deteriorating more rapidly than other Bay Area counties. Conditions are not expected to improve until late 2009. The major employers in the area include University of California, Kaiser Permanente, Safeway, Chevron and AT&T.

The largest employment sectors in the Oakland-Fremont-Hayward MSA employ 70.81% of the civilian workforce: services (41.79%), retail trade (14.36%), and non-classifiable establishments (14.66%), according to the 2007 Business Geodemographic Data. There are 108,224 businesses that operate within this AA. Of those, 68% have reported revenues of \$1 million or less. Approximately 70% employ fewer than ten employees.

MNB faces strong competition with 49 banks operating within the AA. MNB ranks 47th in deposit market share with 0.06%. The five largest banks hold a total of 70.11% of the deposit market share. The competing institutions include: Bank of America, Wells Fargo, Washington Mutual, Wachovia and Citibank. Note: Since the FDIC report on Deposit Market Share was published June 30, 2008, Washington Mutual and Wachovia have been purchased by other banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

MNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the community. We looked at three similar institutions, both in size and location, and found an average quarterly LTD ratio of 81.99%. MNB's average LTD ratio is 86.42%. The assets of the peer banks were \$186 million, \$166 million, and \$125 million, and were located in a similar market. Average LTD ratios were computed over the last 23 quarters (December 2002 to June 2008).

Lending in Assessment Area

The bank's lending in its AA meets the standard for satisfactory performance.

Table 4

MISSION NATIONAL BANK'S LENDING IN AA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	11	55%	9	45%	5,837,279	52%	5,286,750	48%
Totals	11	55%	9	45%	5,837,279	52%	5,286,750	48%

Source: Sample of 20 business loans originated from January 1, 2003 to June 30, 2008

A majority of the bank's loans and other lending-related activities are made within the bank's designated assessment area. We sampled 20 loans since the last CRA examination, focusing on the bank's primary loan product. Of the 20 sampled, the bank originated 11 loans, or 55% of the number of loans, to borrowers within their AA. Based on the dollar volume of loans, the inside ratio was 52%.

(In the next two sections, the bank's primary product lines, commercial real estate and construction, together with commercial loans, were grouped under the title "business loans" to evaluate the bank's performance since the last CRA examination.)

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of loans to businesses of different sizes reflects reasonable penetration among businesses of different sizes, given the demographics of its AAs.

Table 5

INCOME DISTRIBUTION OF LOANS TO BUSINESSES IN THE SAN FRANCISCO MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67%	6%	27%	100%
% of Bank Loans in AA by #	60%	30%	10%	100%
% of Bank Loans in AA by \$	52%	40%	8%	100%

Demographic Data Source: 2007 Business Geodemographic Data.

The percentage of businesses with revenues of less than or equal to \$1 million within the San Francisco MSA AA is 67%. Based on our sample of 20 loans within the AA, the bank originated 60% of their loans by number and 52% by dollar volume to these businesses. While these percentages indicate the bank's efforts to lend to businesses with revenues of less than or equal to \$1 million are below the area demographics, strong competition from larger institutions, that are able to offer products to these businesses more cost effectively within this AA, were taken into consideration in evaluating the bank's performance. Our analysis found that these results indicate the bank's commitment to addressing the community credit needs of businesses with revenues less than \$1 million. Refer to the table above for details.

Table 6

INCOME DISTRIBUTION OF LOANS TO BUSINESSES IN THE OAKLAND–FREMONT–HAYWARD MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68%	6%	25%	100%
% of Bank Loans in AA by #	45%	45%	10%	100%
% of Bank Loans in AA by \$	22%	76%	2%	100%

Demographic Data Source: 2007 Business Geodemographic Data.

The percentage of businesses with revenues less than or equal to \$1 million within the Oakland-Fremont-Hayward MSA AA is 68%. The resulting percentage of loans to these businesses by number and dollar volume was 45% and 22%, respectively. Although the bank's business loans in the AA does not meet area demographics, our analysis indicates the bank's effort to lend to businesses with revenues less than or equal to \$1 million is reasonable. The bank focuses on underserved markets such as gas stations with convenience stores. Gross revenues reported for this industry are abnormal due to the volume of gas sold and the unprecedented and rapid increase in oil prices. Also, strong competition from larger institutions, that are able to offer products to businesses with revenues of less than \$1 million more cost effectively within this AA, were taken into consideration in evaluating the bank's performance. Our analysis found that these results indicate the bank's commitment to addressing the community credit needs of businesses with revenues less than \$1 million. Refer to the table above for details.

Geographic Distribution of Loans

Based on our sample, the bank's geographic distribution of loans reflects excellent dispersion throughout its AAs. The bank was not able to penetrate all census tracts within their AAs. However, there were no conspicuous gaps in the bank's distribution of loans.

Business Loans – San Francisco MSA AA

As shown in the table below, the bank's distribution of business loans, by percentage of loans, originated in the low- income geographies was 45%, exceeding area demographics of 28%.

The bank's distribution of business loans, by percentage of number of loans, originated in the moderate-income geographies was 25%, closely matching area demographics of 27%.

Table 7

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE SAN FRANCISCO MSA								
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
Business Loans	28%	45%	27%	25%	24%	15%	22%	15%

Demographic Data Source: 2007 Business Geodemographic Data

Business Loans – Oakland-Fremont-Hayward MSA AA

As shown in the table below, the bank's distribution of business loans, by percentage of loans, originated in the low-income geographies was 35%, exceeding area

demographics of 14%.

The bank’s distribution of business loans, by percentage of loans originated in the moderate-income geographies was 30%, also exceeding area demographics of 18%.

Table 8

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN THE OAKLAND-FREMONT-HAYWARD MSA								
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
Business Loans	14%	35%	18%	30%	39%	20%	28%	15%

Demographic Data Source: 2007 Business Geodemographic Data

Responses to Complaints

No written complaints concerning MNB’s CRA performance have been received since the bank’s previous CRA examination, dated February 3, 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.