



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**May 06, 2002**

### **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.**

## TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u> .....	2
<u>DESCRIPTION OF INSTITUTION</u> .....	2
<u>DESCRIPTION OF ASSESSMENT AREA</u> .....	2
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u> .....	4

## INSTITUTION'S CRA RATING

Asian Pacific National Bank is rated "Satisfactory". Factors supporting the rating are as follows:

- **Lending to businesses of different sizes is satisfactory.**
- **The geographic distribution of loans meets the standard for satisfactory performance.**
- **The loan-to-deposit ratio meets the standard for satisfactory performance.**
- **The bank's record of compliance with the provisions of the anti-discrimination laws and regulations is satisfactory.**

## DESCRIPTION OF INSTITUTION

Asian Pacific National Bank (APNB) opened in August 1990 as an industrial thrift and loan. The institution converted to a national bank charter effective December 29, 1995. The bank's main office is located in San Gabriel, California. In December 1997, APNB opened a second branch in Rowland Heights, California. Both offices are located east of downtown Los Angeles.

The bank focuses on lending to small and medium size businesses. As of December 31, 2001, APNB reported assets of \$46 million, of which \$24 million or 52 percent were centered in loans. Loans to businesses, secured mostly by commercial real estate, comprise 95 percent of APNB's lending. At December 31, 2001, the bank's loan portfolio was distributed as follows: commercial real estate \$22 million (92 percent), business \$838 thousand (3 percent), and other loans \$1 million (5 percent). Retail services are limited to transactions with individuals associated with those businesses. 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's last CRA examination was performed in February 1998 and the bank's performance was rated "Satisfactory".

## DESCRIPTION OF THE ASSESSMENT AREA:

The bank designated two assessment areas (AA): **San Gabriel** and **Rowland Heights**. For the purpose of this CRA examination, both AAs were combined. The combined AA includes whole census tracts and meets the requirements of the regulation. The AA is located within the Los Angeles Metropolitan Statistical Area (MSA). The Department of Housing and Urban Development adjusted median family income for this MSA is \$54,500.

### **San Gabriel:**

The San Gabriel AA consists of the southwest San Gabriel Valley region of Los Angeles County. It encompasses the cities of Alhambra, El Monte, Monterey Park, Rosemead, South El Monte, Temple City, and San Gabriel.

**Rowland Heights:**

The Rowland Heights AA consists of the southeast San Gabriel Valley region of Los Angeles County. It encompasses the cities of Diamond Bar, Hacienda Heights, Industry, La Puente, Rowland Heights, Walnut, and part of West Covina.

There are no low-income census tracts located within the combined AA. The 1990 U. S. census reported 33,017 low-income families living within the combined AA. Refer to the table below.

<b>ASSESSMENT AREA DEMOGRAPHIC INFORMATION</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts/BNA's)	101	0%	24%	52%	24%
Population by Geography	693,854	0%	26%	48%	26%
Owner-Occupied Housing by Geography	208,223	0%	13%	48%	39%
Business by Geography	24,249	0%	24%	52%	24%
Family Distribution by Income Level	162,010	20%	17%	22%	41%
Distribution of Low-and Moderate-Income Families located in AA	60,586	0%	37%	50%	13%
Median Family Income = \$41,767 HUD Adjusted Median Family Income for 2001 = \$54,500 Households Below the Poverty Level = 11%		Median Housing Value = \$222,913 Unemployment rate: 3.32%			

Source: 1990 U. S. Census and 2001 HUD updated MFI.

Competition is strong for the available business in the AA. There are numerous multi-national, multi-state, and smaller community financial institutions competing within the AA. Larger institutions include Bank of America, Washington Mutual Bank, Wells Fargo Bank, and Union Bank of California. APNB considers its major competitors to be those institutions that service the Asian community. Those institutions include Cathay Bank, General Bank, Far East National Bank, East West Bank, EverTrust Bank, Grand National Bank, and Omni Bank.

In the late 1980's, structural changes in the economy and other events combined to undermine the general prosperity. Defense spending cuts and other federal decisions caused huge reductions in aerospace and defense manufacturing jobs. Other states lured away business with tax concessions and more favorable business environments. The civil disturbances in 1992 further aggravated the business and community problems. Despite federal and state assistance, many of the businesses destroyed during the disturbances have not reopened. As a result, jobs were lost. This created further economic dislocations. Since then, the economy of the Los Angeles MSA has rebounded. The unemployment rate continues to decline.

As part of this examination, we contacted three organizations in the community knowledgeable about community credit needs. Our contacts included a minority revolving loan fund and two community development corporations. These contacts identified the area's major credit needs as small business and start-up business loans. Other area needs are for investment in loan funds and operating capital.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Scope of Examination:

Our conclusions are based on the bank's lending activity from January 1998 through December 2001. We used a sample of loans drawn from the most significant loan types originated by the bank. We developed the loan sample from loan data prepared by the bank. We tested the accuracy of that information. Our sample included 40 commercial real estate loans and 40 business loans. The business purpose loans included loans that were secured and unsecured. The secured business loans generally had real estate collateral.

### Lending to Businesses of Different Sizes:

APNB's distribution of loans to small businesses meets the standard for satisfactory performance.

#### Commercial Real Estate:

APNB is responsive to community credit needs. Of the businesses within the AA that reported revenues, 87 percent had revenues of less than \$1 million. The bank's commercial real estate lending to small businesses, by dollars, was consistent with the AA's demographics. By number, they exceeded the area demographics. Refer to the table below.

<b>REVENUE DISTRIBUTION – Commercial Real Estate</b>						
	<b>Businesses Located in AA</b>		<b>Loans Originated in AA</b>			
<b>Annual Revenue</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>&lt; = \$1 million</b>	21,197	<b>87%</b>	\$3,499,950	<b>84%</b>	15	<b>94%</b>
<b>&gt; \$1 million</b>	3,052	13%	\$665,000	16%	1	6%
<b>TOTAL</b>	24,249	100%	\$4,164,950	100%	16	100%

#### Business Loans:

APNB is responsive to community credit needs. Of the businesses within the AA that reported revenues, 87 percent had revenues of less than \$1 million. Lending to small businesses, by number and dollars, was consistent with the AA's demographics. Refer to the table below.

<b>REVENUE DISTRIBUTION – Business Loans</b>						
	<b>Businesses Located in AA</b>		<b>Loans Originated in AA</b>			
<b>Annual Revenue</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>&lt;/= \$1 million</b>	21,197	<b>87%</b>	\$3,915,000	<b>84%</b>	28	<b>85%</b>
<b>&gt; \$1 million</b>	3,052	13%	\$727,360	16%	5	15%
<b>TOTAL</b>	24,249	100%	\$4,642,360	100%	33	100%

**Geographic Distribution of Loans:**

APNB’s geographic distribution of loans meets the standard for satisfactory performance.

**Commercial Real Estate:**

The bank did not fund any loans in upper-income census tracts. There are no low-income census tracts located in the combined AA. The bank funded eight loans to businesses located in moderate-income census tracts totaling \$2.6 million. These loans represent 50 percent of the number, and 64 percent by dollar, of sampled commercial real estate loans. Commercial real estate lending exceeded area demographics in lending to small businesses located in moderate-income census tracts. Refer to the table below.

<b>Geographic Distribution – Commercial Real Estate</b>						
	<b>Businesses Located in AA</b>		<b>Loans Originated in AA</b>			
<b>Tract Income</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	0	0%	\$0	0%	0	0%
<b>Moderate</b>	5,823	<b>24%</b>	<b>\$2,673,000</b>	<b>64%</b>	<b>8</b>	<b>50%</b>
<b>Middle</b>	12,490	52%	\$1,491,950	36%	8	50%
<b>Upper</b>	5,936	24%	\$0	0%	0	0%
<b>TOTAL</b>	24,249	100%	\$4,164,950	100%	16	100%

**Business Loans:**

There are no low-income census tracts located in the combined AA. The bank funded four loans to businesses located in moderate-income census tracts totaling \$1.3 million. They represent 26 percent by dollar, and 17 percent by number, of sampled commercial loans. The bank’s penetration of moderate-income census tracts is consistent with area demographics. Refer to the table below.

<b>Geographic Distribution – Business Purpose</b>						
	<b>Businesses Located in AA</b>		<b>Loans Originated in AA</b>			
<b>Tract Income</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	0	0%	\$0	0%	0	0%
<b>Moderate</b>	5,823	<b>24%</b>	<b>\$1,390,000</b>	<b>26%</b>	<b>4</b>	<b>17%</b>
<b>Middle</b>	12,490	52%	\$3,217,360	59%	13	57%
<b>Upper</b>	5,936	24%	\$840,000	15%	6	26%
<b>TOTAL</b>	24,249	100%	\$5,447,360	100%	23	100%

**Loan-to-Deposit Ratio:**

**The bank's loan-to-deposit ratio meets the standard for satisfactory performance.**

The bank's 13-quarter average loan-to-deposit ratio is reasonable. For the period ending December 31, 2001, the average ratio was 50 percent. The average ratio for three similarly situated banks for the same period was 56 percent. Since the prior CRA examination, the bank's *actual* loan-to-deposit ratio has had an increasing trend. APNB has increased lending activity, which had the effect of increasing the loan-to-deposit ratio. This evaluation considered "similarly situated banks" as those banks that are located in the bank's AA and that have a similar business focus.

**Lending in Assessment Area:**

**APNB record of lending within the AA does not meet the standard for satisfactory performance.**

A majority of APNB's loans, by number, are outside of the AA. There is an equal distribution, by dollars, of loans in and outside of the AA. Of note, most loans originated outside of the AA are located in adjacent communities. Refer to the table below.

<b>LENDING WITHIN THE ASSESSMENT AREA</b>		
<b>Total Loans By Number and Dollar Amount</b>	<b>Total Loans Originated Within the AA</b>	<b>Percent of Total Loans Originated Within the AA</b>
80	39	49%
\$19,188,460	\$9,612,310	50%

**Response to Complaints:**

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

**Fair Lending Review:**

An analysis of four year's public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination does not need to be conducted in connection with the CRA evaluation.