



PUBLIC DISCLOSURE

July 08, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Asian Pacific National Bank
Charter Number 23006

333 West Valley Boulevard
San Gabriel, CA 91776

Office of the Comptroller of the Currency

550 North Brand Boulevard
Suite 500
Glendale, CA 91203-1985

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.”

The major factors that support this rating include:

- The bank’s loan-to-deposit ratio is reasonable given the bank’s size and performance context.
- A majority of the bank’s lending activity is within its delineated assessment area.
- The bank’s distribution of loans to businesses of different sizes reflects excellent penetration compared to area demographics.
- The geographic distribution of business loans reflects excellent dispersion throughout the assessment area compared to area demographics.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) assesses Asian Pacific National Bank’s Community Reinvestment Act (CRA) performance using the lending test criteria for small bank examinations. We performed a full-scope examination of the bank’s assessment area. We analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2010 and December 31, 2011, as this is representative of the bank’s lending strategy since the previous CRA examination. We focused our review on commercial loans because they represent the major portion of the bank’s lending activity.

DESCRIPTION OF INSTITUTION

Asian Pacific National Bank (APNB or bank) is a full-service community bank headquartered in San Gabriel, California. The bank opened in August 1990 as an industrial thrift and loan association and converted to a national bank charter effective December 1995. The main branch is located in San Gabriel, California in a middle-income census tract. In addition, the bank has one branch located in an upper-income census tract in Rowland Heights, California.

APNB offers a variety of commercial loan products to meet the credit needs of small and mid-size businesses, with an emphasis on commercial real estate and commercial/industrial lending. The bank offers consumer installment loans primarily as an accommodation to business customers. APNB offers traditional services at both of its branches. Branches are open for business Monday through Friday 9:00am – 4:30pm and Saturday 10:00am – 1:00pm. The bank does not have an automated teller machine (ATM).

As of March 31, 2013, APNB reported total assets of \$54 million, total loans of \$23 million, total deposits of \$45 million, and total equity capital of \$8.8 million. The following chart summarizes the loan portfolio by major loan type.

Asian Pacific National Bank Loan Portfolio Outstanding Balances by Major Product Type As of March 31, 2013		
Loan Type	(000's)	Percent
Commercial Real Estate	19,881	84.7
Multifamily Residential RE	2,911	12.4
Construction	345	1.5
1-4 Family Residential RE	195	0.8
Commercial-Industrial	143	0.6
Consumer	8	0.0
Total	\$23,483	100%

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. APNB received a "Satisfactory" rating under the "Small Bank" rating criteria at the previous CRA examination, dated August 27, 2007.

DESCRIPTION OF ASSESSMENT AREA

APNB has designated as its assessment area (AA) the communities of the San Gabriel Valley. These include the 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 383 census tracts of the total 2,054 census tracts that make up the Los Angeles MSA. Three of the census tracts (0.78 percent) are low-income; 62 (16.19 percent) are moderate-income; 160 (41.78 percent) are middle-income; 156 (40.73 percent) are upper-income and two (0.52 percent) do not have an income designation. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. APNB has established lending opportunities in the AA, and has determined that the designated AA is an area the bank can reasonably serve.

The banking environment in the bank's AA is highly competitive. The June 30, 2012 FDIC Deposit Market Share report indicates that 124 institutions compete for deposits in the Los Angeles Metropolitan Statistical Area (MSA). APNB ranks 105th and holds a deposit market share of 0.02 percent. Eighty-three percent of the deposits in the AA are held by Bank of America, N.A.; Wells Fargo, N.A.; Union Bank N.A.; JP Morgan Chase, N.A.; City National Bank; Citibank, N.A.; OneWest Bank; East West Bank; U.S. Bank, N.A.; Bank of the West; Commerce Bank; Cathay Bank; and HSBC Bank USA, N.A. The remaining competing banks hold less than 1 percent each. The banks that compete for deposits in the AA also compete for loans. In addition, there are numerous other institutions that do not collect deposits but compete for loans in the AA, making it even more difficult for banks to compete for loans than deposits.

The 2000 U.S. Census median housing value was \$221,066 in the Los Angeles MSA. The decline in the housing market, which began prior to the prior CRA evaluation, has since rebounded.

The California Association of Realtors noted the Los Angeles MSA median sales price of a home as of May 2012 was \$289,280. The price increased significantly to \$379,640 as of May 2013. Approximately, 59 percent of the housing units are owner-occupied. The 2013 HUD updated MSA median family income is \$63,000. About 12 percent of the population is below the poverty level. The AA has 183,626 businesses and 1,655 farms. Approximately 69 percent of the businesses are small (gross annual revenues of \$1 million or less); 3 percent are large businesses with gross annual revenues over \$1 million; and 28 percent consists of businesses where income data was not collected/reported.

The economy in the AA also showed signs of improvement during the review period. Payrolls increased primarily because of a surge in hiring among the motion picture and sound recording industries. There were also modest gains by apparel makers. However, layoffs in technology, manufacturing, and local government tempered gains. Nonetheless, in April 2013, the unemployment rate dropped below 10 percent for the first time in four years. As of May 2013, the unemployment rate for the Los Angeles MSA was 8.3 percent. This is slightly below the unemployment rate of 8.6 percent for the State of California, but higher than the national unemployment rate of 7.6 percent as of May 2013. The top industries in the Los Angeles MSA are state and local government, restaurants, private household workers, motion picture and video, health-related services, employment services, colleges and universities, aerospace, and federal government. The top employers are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation; University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America, N.A.; The Boeing Company; Providence Health Systems, The Home Depot, USA Inc.; Vons; Wells Fargo, N.A.; Edison International; and AT&T.

We contacted one community development organization that serves the working poor in West San Gabriel Valley. The organization focuses on helping individuals overcome the barriers of underemployment, poverty, language, inadequate housing, limited education, and lack of medical care. The contact stated that there is a need for affordable housing loans to low- and moderate-income individuals and micro loans to small businesses. The contact also stated that there are numerous opportunities for bank involvement, including providing financial education and financing for community development projects and programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on our random sample of 20 commercial loans, the bank's performance in meeting the credit needs of the community is Satisfactory. During the evaluation period, APNB made a majority of its loans to borrowers inside the AA. The loan-to-deposit ratio is reasonable given the bank's size and performance context. The bank has excellent penetration both among businesses of different sizes and geographic dispersion throughout the AA. Each of the areas considered in the lending test are described below.

Loan-to-Deposit Ratio

APNB’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and local economic conditions. We analyzed the bank’s quarterly average LTD ratio for the prior 23 quarters since the previous CRA examination through March 31, 2013. APNB’s average LTD ratio for this period was 57 percent. For the purpose of this analysis, we compared the bank’s ratio to the average ratio of four banks that are similar in both asset size and geographic location. The combined average quarterly LTD ratio for the comparable banks over the same period was 77 percent, with the ratios ranging from 63 percent to 89 percent.

Performance context explains that APNB maintains conservative loan underwriting practices despite increasing competitive pressures and ongoing sluggish economic conditions. The bank operates in a very intensely competitive environment and holds only 0.02 percent of the deposit market share in Los Angeles MSA, with four large institutions holding over 53 percent.

Lending in Assessment Area

APNB originated a majority of its loans within its delineated AA, and meets the standard for satisfactory performance. The bank originated 75 percent of the number of commercial loans in our random sample and approximately 81 percent of the dollar amount within the AA during our evaluation period. See Table 1 for details.

Table 1 – Lending in the Defined CRA Area Los Angeles Assessment Area Commercial Loans January 2010 through December 2011										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	15	75	5	25	20	5,247	81	1,238	19	6,485

Source: Random sample of 20 bank commercial loan originations.

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

The bank’s distribution of loans to businesses of different sizes reflects excellent penetration compared to area demographics, and exceeds the standard for satisfactory performance. The bank originated 90 percent of loans by number and 83 percent by dollar volume to small business borrowers in its assessment area. This compares favorably to small business demographics in the Los Angeles AA. See Table 2 for details.

Table 2 – Lending to Businesses of Different Sizes – Borrower Distribution Commercial Loans Los Angeles Assessment Area January 2010 through December 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69%	3%	28%	100%
% of Bank Loans in AA by #	90%	10%	00%	100%
% of Bank Loans in AA by \$	83%	17%	00%	100%

Source: Dunn and Bradstreet reported revenue data. Random sample of 20 commercial loan originations.

Geographic Distribution of Loans

The geographic distribution of business loans overall reflects excellent dispersion throughout the AA compared to area demographics, and exceeds the standard for satisfactory performance. APNB’s lending to businesses in low- and moderate-income tracts exceeds the demographic data for the AA. See Table 3 for details.

Table 3 – Geographic Distribution of Commercial Loans Los Angeles Assessment Area January 2010 through December 2011								
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 Loan Sample	1%	5%	17%	30%	36%	40%	46%	25%

Source: Dunn and Bradstreet business data by geographic location. Random sample of 20 loan originations.
Note: 0.21 percent of census tracts in the geo-demographic data are not income-designated tracts.

Responses to Complaints

APNB has not received any complaints about its performance under the CRA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 12 CFR 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.