



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**February 3, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Mission National Bank  
Charter Number 17176**

**3060 16th Street  
San Francisco, CA 94103**

**Comptroller of the Currency  
Western District  
San Francisco Field Office  
50 Fremont Street, Suite 3900  
San Francisco, CA 94105**

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.

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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 Mission National Bank, prepared by The Office of the Comptroller of the Currency, as of **February 3, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

### **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:

- The average loan-to-deposit ratio of 58% is low, given the bank's size, financial condition, and lending opportunities within its assessment area.
- The bank's lending in the assessment area exceeds the standard for satisfactory performance. A majority of its loans are within its assessment area.
- The bank's distribution of loans to businesses of different sizes reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes. The majority of the bank's loans are to businesses with less than \$1 million in revenues, which confirms the bank's commitment to small businesses
- The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

# DESCRIPTION OF INSTITUTION

Mission National Bank (MNB) is an independently owned full-service commercial banking institution headquartered in San Francisco, California. The bank, established in 1982, provides general banking services through its headquarters office in San Francisco and second branch in Berkeley, California. There are no ATM's. Since the last examination, MNB closed its Oakland branch (December 2000) and merged it into the Berkeley branch. The bank also closed its Mission District branch (February 1999) and merged it into the headquarters office. As of December 31, 2002, MNB had total assets of \$53 million with \$37 million in loans, which represents net loans to total assets of 70%.

MNB's corporate structure has not changed. The bank focuses its lending activity to commercial real estate and business loans, although consumer and other products are also available.

There are no legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community. This office conducted the previous CRA evaluation dated July 13, 1998. The bank received a "Satisfactory" rating.

**Types of Loans Outstanding**

Loan Type	\$(000's)	Percent
Real Estate Loans	33,242	90%
Commercial Loans	2,643	7%
Individual Loans	906	2%
Other Loans	278	1%
<b>Total</b>	<b>37,071</b>	<b>100%</b>

Source: 12/31/02 Report of Condition

# DESCRIPTION OF MNB'S ASSESSMENT AREAS

Management and the board have designated two assessment areas consisting of 466 census tracts. The first assessment area consists of the entire county of San Francisco and is located in the San Francisco Metropolitan Statistical Area (MSA) and is comprised of 152 contiguous census tracts. The second assessment area consists of the entire county of Alameda and is located in the Oakland MSA and is comprised of 314 contiguous census tracts. Both MSA's include other cities and counties that are not part of the bank's assessment area. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

The population of the combined assessment area is 2,003,141 and the services industry is the center of activity according to 2002 Business Geodemographic Data.

**San Francisco MSA Assessment Area**

The first assessment area includes the City and County of San Francisco and contains 152 census tracts, which were determined by the 1990 U.S. Census Bureau. San Francisco is a port city situated on the northern tip of a peninsula bordered by the Pacific Ocean on the west, the Golden Gate on the north, San Francisco Bay on the east, and the San Mateo County line to the south. San Francisco is only a portion of the San Francisco MSA, which also includes San Mateo and Marin Counties. The city’s geographic dimension is approximately 49 square miles. The city of San Francisco is the financial center of the West and the gateway to Asia. Major employers are ABM Industries and Janitorial Services, Catholic Health Care West, Charles Schwab Corporation, and Chevron Corporation.

The three largest employment sectors in the San Francisco MSA employ 78% of the civilian workforce: services (41%), nonclassifiable establishments (21%), and retail trade (16%) according to the 2002 Business Geodemographic Data. The unemployment rate in San Francisco is currently at 2.8% according to the California Department of Finance as of February 2002. Business lending opportunities are good. The 2002 Business Geodemographic data show that 69,472 businesses operate within the bank’s current assessment area. Of those with reported revenues, 67% have reported annual revenues of \$1 million or less. Approximately 60% employ fewer than ten employees. According to one community contact from the California Reinvestment Committee (CRC), there is a need for various credit products that target low-income persons. The contact indicated the obstacle that prevents financial institutions from greater involvement in meeting local credit needs is the lack of incentive.

The following table highlights the demographic composition of the bank’s assessment area.

Demographic Information for MNB’s Assessment Area: San Francisco Metropolitan Statistical Area (MSA)						
Demographic Characteristics by Number	#	Low	Moderate	Middle	Upper	NA *
Geographies (Census Tract #)	152	23	41	58	27	3
Demographic Characteristics by %	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tract %)	152	15.13	26.97	38.16	17.76	1.97
Population by Geography	723,959	14.45	27.91	44.02	13.54	0.08
Owner-Occupied Housing by Geography	105,514	3.53	20.95	54.69	20.83	0.00
Business by Geography	69,472	29.39	22.97	26.51	21.10	0.00
Farms by Geography	319	15.67	25.08	36.99	21.94	0.00
Family Distribution by Income Level	143,818	28.06	20.53	21.26	30.15	0.00
Distribution of Low Income Families in AA	17,148	61.63	35.39	20.52	10.34	0.00
Distribution of Moderate Income Families in AA	39,146	19.02	25.00	21.12	11.07	0.00
Median Family Income		\$49,282			\$319,708	
		\$86,100		Median Housing Value		
Updated HUD Adjusted Median Family Income for 2001		10.40%			3.57%	
Households Below Poverty Level				Unemployment Rate (1990 US Census)		

(\* ) The NA category consists of geographies that have not been assigned an income classification. Source: 1990 U.S. Census and 2002 HUD updated MFI.

MNB faces strong competition from 72 banks operating within the assessment area. MNB ranks 60<sup>th</sup> in market share with 0.04%. The two largest banks hold a total of 56.49% of the market share. The competing institutions include, in part, Wells Fargo Bank, Bank of America, Union Bank of California, Pacific Coast Bankers' Bank, Trans-Pacific National Bank, National American Bank, and California Pacific Bank.

**Oakland MSA Assessment Area**

The second assessment area includes the entire county of Alameda and contains 314 census tracts, which were determined by the 1990 U.S. Census Bureau. The assessment area is bordered by San Francisco Bay to the west and north, San Joaquin County to the east, and Santa Clara County to the south. The economy of the East Bay has traditionally been supported by its transportation and distribution facilities. The region has one of the West Coast's largest container ports, an international airport, and several major trucking lines. Alameda County is only a portion of the Oakland MSA, which also includes Contra Costa County. Major employers are Alameda County, Alta Bates-Summit Medical, Bay Area Rapid Transit District, City of Oakland, and Kaiser Foundation Hospitals and Health Plans.

The following table highlights the demographic composition of the bank's assessment area.

Demographic Information for MNB's Assessment Area: Oakland Metropolitan Statistical Area (MSA)						
Demographic Characteristics by Number	#	Low	Moderate	Middle	Upper	NA *
Geographies (Census Tract #)	314	47	67	120	59	21
Demographic Characteristics by %	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tract %)	314	14.97	21.34	38.22	18.79	6.69
Population by Geography	1,279,182	12.18	21.65	42.53	22.93	0.71
Owner-Occupied Housing by Geography	255,459	5.72	14.17	47.82	32.28	0.00
Business by Geography	86,760	15.03	18.62	42.25	23.35	0.00
Farms by Geography	954	9.22	14.15	46.44	29.87	0.00
Family Distribution by Income Level	311,888	22.83	18.21	23.45	35.51	0.00
Distribution of Low Income Families in AA	20,171	57.65	36.34	17.03	7.07	0.00
Distribution of Moderate Income Families in AA	22,137	20.82	24.84	19.22	10.22	0.00
<b>Median Family Income</b>		\$47,516			\$216,971	
		\$74,400		<b>Median Housing Value</b>		
<i>Updated HUD Adjusted Median Family Income for 2001</i>		9.42%			3.21%	
<b>Households Below Poverty Level</b>				<b>Unemployment Rate (1990 US Census)</b>		

(\* ) The NA category consists of geographies that have not been assigned an income classification. Source: 1990 U.S. Census and 2002 HUD updated MFI.

The three largest employment sectors in the Oakland MSA employ 72% of the civilian workforce: services (39%), nonclassifiable establishments (18%), and retail trade (15%) according to the 2002 Business Geodemographic Data. The unemployment rate in Oakland is currently at 3% according to the California Department of Finance as of February 2002. Business lending opportunities are good. The 2002 Business Geodemographic data show that

86,760 businesses operate within the bank's current assessment area. Of those with reported revenues, 69% have reported annual revenues of \$1 million or less. Approximately 63% employ fewer than ten employees. However, MNB faces strong competition from 56 banks operating within the assessment area. MNB ranks 53<sup>rd</sup> in market share with 0.03%. The three largest banks hold a total of 50% of the market share. The competing institutions include, in part, Bank of America, Wells Fargo Bank, Washington Mutual Bank, Bank of the West, California Pacific Bank, Trans-Pacific National Bank, and Central California Bank.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Scope of Examination:**

We evaluated the bank's performance based on loans originated from July 13, 1998, through December 31, 2002. We focused our evaluation on the bank's primary product lines: commercial loans and commercial real estate loans, originated since the last CRA exam. We randomly selected 40 loans for our sample: 20 commercial, and 20 commercial real estate loans. We used the sampled loans to review the bank's lending in its assessment areas, its geographic and income 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.

### **Loan-to-Deposit Ratio**

Mission NB's quarterly average loan-to-deposit ratio (LTD) is lower in comparison to peer banks given the bank's size, financial condition, and the lending opportunities within its assessment area. Since the last CRA examination, the bank's quarterly ratio averaged 57.79% over the last 17 quarters ended September 30, 2002. The quarterly average ratio of similarly situated peer banks in its assessment area range was 75.70% over the same time period. At the last examination, MNB's eight-quarter loan-to-deposit ratio average was 53%, and their peer group loan-to-deposit ratio average ranged from 66% to 69%. While the bank's loan-to-deposit ratio remained somewhat static, the peer groups increased. For purposes of this examination, we considered similarly situated banks to mean banks of comparable asset size and located in the same MSA that offered like products and services.

Historically, the bank has had a lower LTD ratio than its peers. In the past four years, MNB has been restructuring and revising their growth strategy to increase by 25% a year, with a retention rate of 80%-85%.

**Lending in the Bank’s Assessment Areas**

The bank's lending in the assessment area meets the standard for satisfactory performance.

**Lending Within Its Assessment Areas (AA)**

	<b>No. of Loans</b>	<b>% By Number</b>	<b>Dollars</b>	<b>% by Dollars</b>
<b>Loans In AA</b>	30	75%	\$19,344,474	79%
<b>Loans Out of AA</b>	10	25%	\$5,159,500	21%
<u>Totals</u>	40	100%	\$24,503,974	100%

Source: Sample of 40 loans originated from July 13, 1998 to December 31, 2002

A majority of the bank's loans and other lending-related activities are made to customers who reside within the bank's designated assessment area. We sampled 40 loans since the last CRA examination focusing on the bank’s primary loan products. Of the 40 sampled, the percentage of loans originated by number and dollar amount to borrowers located within the assessment area are 75% and 79%, respectively.

(In the next two sections, the bank’s primary product lines; commercial and commercial real estate loans, were grouped under the title “business loans” to evaluate the bank’s performance. In the evaluation of lending in the San Francisco and Oakland MSA’s, we reviewed all of the bank’s business loans made since the last examination due to the low volume of loans within these assessment areas.)

**Lending to Businesses of Different Sizes**

The bank’s distribution of loans to businesses of different sizes reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes.

**Revenue Distribution - Business Loans (San Francisco County)**

<b>Gross Revenues</b>	<b>Businesses in AA</b>		<b>Number of Loans Originated within AA</b>		<b>Dollar Volume of Loans Originated within AA</b>	
	<b># of Businesses</b>	<b>% of Businesses</b>	<b># of Loans</b>	<b>% of Number</b>	<b>Dollar Volume</b>	<b>% of \$ Volume</b>
<\$1,000,000	46,643	67.21%	23	77%	\$6,770,044	66%
>\$1,000,000	5,256	7.53%	7	23%	\$3,500,000	34%
Not reported	17,573	25.30%	0%	0%	0%	0%
<b>Totals</b>	<b>69,472</b>	<b>100%</b>	<b>30</b>	<b>100%</b>	<b>\$10,270,044</b>	<b>100%</b>

Source: 2002 Business Geodemographic Data and Sample of 30 loans originated within AA from July 13, 1998 to December 31, 2002



**Business Loans**

Businesses with annual revenues of \$1 million dollars or less are deemed to be small business.

The percentage of small businesses within the San Francisco MSA is 67.21%. Our analysis of business loans in this assessment area indicates the bank’s effort to lend to small businesses closely reflects the area demographics. Based on our sample, the bank originated a significant amount of loans by number to small businesses. The resulting percentage of loans to small businesses by number and dollar volume was 77% and 66%, respectively. These results confirm the bank’s commitment to meeting the community credit needs of businesses with revenues less than \$1 million, as well as those summarized by the community contacts under the description of the assessment area. Refer to the table above for details.

**Revenue Distribution - Business Loans (Alameda County)**

Gross Revenues	Businesses in AA		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% Of \$ Volume
<\$1,000,000	60,126	69.30%	10	83%	\$2,710,937	82%
>\$1,000,000	6,664	7.68%	2	17%	\$602,500	18%
Not reported	19,970	23.02%	0	0%	0%	0%
Totals	86,760	100%	12	100%	\$3,313,437	100%

Source: 2002 Business Geodemographic Data and Sample of 12 loans originated within AA from July 13, 1998 to December 31, 2002

The percentage of small businesses within the Oakland MSA is 69.30%. Our analysis of business loans in this assessment area indicates the bank’s effort to lend to small businesses exceeds the area demographics. Based on our sample, the bank originated a modest amount of loans by number to small businesses. The resulting percentage of loans to small businesses by number and dollar volume was 83% and 82%, respectively. These results confirm the bank’s commitment to meeting the community credit needs of businesses with revenues less than \$1 million, as well as those summarized by the community contacts under the description of the assessment area. Refer to the table above for details.

**Geographic Distribution of Loans**

Based on our sample, the bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. There are no gaps in the bank's distribution of loans. The analysis reflects lending in all tracts in the bank’s assessment area.

**Geographic Distribution of Business Loans (San Francisco County)**

Tract Income Type	Businesses in Assessment Area		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	20,424	29.41%	16	53%	\$5,177,800	50%
Moderate	15,956	22.97%	6	20%	\$2,384,000	23%
Middle	18,420	26.52%	5	17%	\$1,383,244	14%
Upper	14,657	21.10%	3	10%	\$1,325,000	13%
Totals	69,457	100%	30	100%	\$10,270,044	100%

Source: 2002 Business Geodemographic Data and Sample of 30 loans originated within AA from July 13 1998 to December 31, 2002

**Business Loans**

As shown in the table above, the bank’s distribution of business loans by percentage of number of loans, and dollar volume of loans originated in the low-income geographies was 53%, and 50%, respectively. This exceeds the areas demographics. The bank’s distribution of business loans by percentage of number of loans, and dollar volume originated in the moderate- income geographies was 20%, and 23%, respectively. Although the number of loans does not compare favorably to the business demographics of 22.97%, the dollar volume of loans originated within the moderate-income geography exceeds the area demographics.

**Geographic Distribution of Business Loans (Alameda County)**

Tract Income Type	Businesses in Assessment Area		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	13,044	15.15%	4	33%	\$942,500	28%
Moderate	16,156	18.76%	1	8%	\$300,000	9%
Middle	36,656	42.57%	5	42%	\$1,805,937	55%
Upper	20,257	23.52%	2	17%	\$265,000	8%
Totals	86,113	100%	12	100%	\$3,313,437	100%

Source: 2002 Business Geodemographic Data and Sample of 12 loans originated within AA from July 13, 1998 to December 31, 2002

**Business Loans**

As shown in the table above, the bank’s distribution of business loans by percentage of number of loans, and dollar volume of loans originated in the low-income geographies was 33%, and 28%, respectively. This exceeds the areas demographics. The bank’s distribution of business loans by percentage of number of loans, and dollar volume originated in the moderate- income geographies was 8%, and 9%, respectively. Although the number and dollar volume of loans

does not compare favorably to the business demographics of 18.76%, MNB plans to reassess their resources, by hiring a full time manager for the Oakland branch to target businesses in the area.

### **Responses to Complaints**

No consumer complaints associated with the bank's performance under the provisions of the CRA have been made since the last examination.

### **Record of Compliance with Antidiscrimination Laws**

An analysis of five years of public comments and consumer complaint information was performed based on our risk-based assessment of Fair Lending. Based on our analysis of this information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation. The latest comprehensive fair lending examination was performed in 1998. This was a targeted exam. The objective of this examination was to determine the bank's compliance with fair lending laws and regulations. There were no violations of the substantive provisions of the anti-discrimination laws and regulations identified. Based on this review, it was determined that the bank's compliance with fair lending laws is satisfactory.