



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Prime Pacific Bank, N.A.
Charter Number 22769**

**4710 196th Street SW
Lynnwood, Washington 98036**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 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 Community Reinvestment Act (CRA) performance of **Prime Pacific Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 23, 1998. 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 loan-to-deposit ratio is reasonable.
- A majority of loans are in the bank's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Distribution of lending reflects good penetration among businesses of different sizes.
- There were no complaints about the bank's CRA performance from the public.

DESCRIPTION OF INSTITUTION:

Prime Pacific Bank, N.A. (Prime Pacific) is a \$15.6 million community bank located in western Washington. The bank is situated in the city of Lynnwood, Washington. Prime Pacific bank was founded in 1995 and does not have a holding company.

Prime Pacific is a full service bank offering loans, deposit accounts, and traditional banking services. As of September 30, 1997, loans represented 62% of total assets and 73% of deposits. The bank's primary focus is business lending. Commercial loans comprised 76% of the loans originated during 1997. Consumer loan originations were 24% of total originations. The bank does not make residential real estate loans. There are no financial or legal impediments that affect Prime Pacific's ability to meet the business credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area consists of Snohomish County and 2 census tracts in Bothell that reside along the natural border of the King and Snohomish county line. Bothell is in both King and Snohomish counties and the 2 abovementioned census tracts are in northeastern King County. The bank has a significant number of loans in these census tracts. The bank's assessment area does not arbitrarily exclude any low or moderate income census tracts. The area is primarily urban and is supported by small businesses. Based on 1990 Census data the population in the assessment area is 476,143. The Office of Financial Management (OFM) estimated the Snohomish county population of 525,000 in 1995. Population growth has been explosive and it is estimated by the OFM to be approximately 710,339 by the year 2010.

The assessment area consists of 94 census tracts. According to 1990 U.S. Census data, the assessment area has 2 low-income census tracts, 16 moderate-income census tracts, 67 middle income census tracts and, 9 upper income census tracts. The U.S. Department of Housing and Urban Development estimated 1997 adjusted median family income for the King/Snohomish county MSA to be \$55,100.

The local economy is supported primarily by businesses of all sizes. The largest employers in the assessment area are The Boeing Company and the State of Washington. Competition from other financial institutions is strong. Prime Pacific, 56 commercial banks, 19 savings banks, 4 savings and loans and 19 credit unions serve the assessment area.

We conducted one community contact during the examination and reviewed others that were conducted by our office in 1996. The contacts consisted of one business group and two community based development organizations located in Snohomish County. The contacts stated that the financial institutions were meeting the credit needs of the assessment area through existing loan products. However, more affordable housing is needed. According to the South Snohomish Chamber of Commerce, 1997 median home prices in the area ranged from \$149,000 to \$220,000 which have

made it difficult for low and moderate income families to qualify for residential home mortgages. In addition, the availability of buildable lots are becoming limited due to the explosive growth in the area.

Income Characteristics of the Census Tracts	# Of Total Census Tracts	% Of Total Census Tracts	% Of Total Families
Low Income	2	2	17
Moderate Income	16	17	20
Middle Income	67	71	30
High Income	9	10	33
Total:	94	100	100

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Prime Pacific's loan-to-deposit ratio as of the third quarter ending September 30, 1997 was 73%. The bank's average ratio over eight consecutive quarters was 63%.

There were no similarly situated banks in Snohomish county which would provide a comparison. Similarly situated banks located in other areas of western Washington were used on a comparative basis. A review of call report data for 6 similarly situated banks over the past eight quarters shows an average loan-to-deposit ratio of 74%. Based on this data, we consider Prime Pacific's loan-to-deposit ratio to be reasonable.

Lending in the Assessment Area

The bank reported that it made 73% of its loans within its assessment area in 1996 and 1997. We reviewed a sample of 52 business loans to determine lending to business of different sizes and location of loans within the assessment area. We compared the results of our review to the bank's analysis which included 1996 and 1997 loan originations. Our review confirmed that the bank's conclusions regarding lending in the assessment area were reliable.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Overall distribution of lending to businesses of different sizes reflects good penetration given the bank's focus on business lending.

Business loans

Prime Pacific made 71% of its business loans to businesses with gross annual revenues of less than \$1 million. The bank's performance is reasonable given the competition within the area. 1996 Dunn and Bradstreet data indicates small businesses comprise 88% of total businesses within Prime Pacific's assessment area. The following table illustrates the bank's performance in serving various sized businesses. In 1996 and 1997, Prime Pacific originated 59 and 80 business loans, respectively.

Lending to Businesses:

Gross Annual Revenues	# of Loans Made	% of Loans
0 - \$100,000	13	25%
\$100,001 - \$250,000	10	19%
\$250,001 - \$500,000	11	21%
\$500,001 - \$1,000,000	03	6%
> \$1,000,000	15	29%
Total	52	100%

We did not include a review of consumer loans in our analysis because they comprise a small portion of the bank's portfolio.

Geographic Distribution of Loans

The geographic distribution of loans shows reasonable dispersion throughout the bank's assessment area. Prime Pacific made loans in the majority of its assessment area. According to 1990 U.S. Census data, low and moderate income census tracts comprise 19% of the assessment area. Twenty-four percent these loans were located in low and moderate income areas. The following table shows the bank's performance in providing business credit throughout its assessment area.

Lending to Census Tracts in Assessment Area:

Borrower Income Level	# & % of Census Tracts	# & % of Loans	% Business w/revenues of 1,000M or less	% Business w/revenues greater than 1,000M
Low	2 2%	0 0%	3%	2%
Moderate	16 17%	34 24%	21%	24%
Middle	67 72%	96 69%	71%	68%
Upper	9 9%	10 06%	5%	6%
Total	94 100%	140 100%	100%	100%

Records of Complaints and Compliance with Antidiscrimination Laws

The bank did not receive any complaints from the public concerning its CRA performance. We did not find any violations of the substantive provisions of antidiscrimination laws and regulations.