



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 18, 2009**

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

Los Angeles National Bank  
Charter Number 16240

7025 Orangethorpe Avenue  
Buena Park, CA 90621-3307

Office of the Comptroller of the Currency

Southern California South Field Office  
1925 Palomar Oaks Way, Suite 202  
Carlsbad, California 92008

**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 primary factors supporting the institution's rating follow.

- The average loan-to-deposit ratio substantially exceeded the ratio of peer banks during the evaluation period.
- The bank granted a majority of the number and dollar volume of loans within its defined CRA assessment areas.
- The geographic distribution of loans within each assessment area compares favorably with area demographics, especially in moderate-income census tracts.
- The distribution of loans to small businesses is reasonable and meets the standard for satisfactory performance.

## **SCOPE OF EXAMINATION**

We evaluated the bank's record of meeting community credit needs using the "Small Bank" lending test. This included analyzing a random sample of commercial loans originated or purchased beginning January 1, 2007, through March 2009. We sampled commercial loans because they represent the substantial majority of the bank's lending activity.

## **DESCRIPTION OF INSTITUTION**

Los Angeles National Bank (LANB) is an independent full-service commercial bank headquartered in Buena Park, California. Concord Place, Inc., a one-bank holding company headquartered in Nassau, Bahamas, holds the majority ownership. The bank provides community access to credit at its three branches: the Buena Park main office in Orange County, which is in a moderate-income census tract; and the Silverlake and Monterey Park branches in Los Angeles County, which are both in middle-income census tracts. LANB also operates a Loan Production Office (LPO) in New York and a second LPO opened in January 2007 in Rowland Heights, California. The bank has not closed any branches since the last CRA evaluation. There is an automatic teller machine at the Buena Park and Monterey Park branch locations.

The bank's business strategy focuses on commercial lending. Commercial real estate and construction loans comprise 92 percent of the total loan portfolio. Consumer lending is not a significant activity.

The bank's Report of Condition and Income as of March 31, 2009, shows total assets of \$210 million, total deposits of \$160 million, and total equity capital of \$26 million. Total loans of \$162 million represent approximately 77 percent of total assets. The following chart summarizes the loan portfolio by major loan type.

<b>Los Angeles National Bank Loan Portfolio by Major Product Type March 31, 2009</b>		
Loan Type	(000s)	%
Commercial Real Estate	\$131,244	81%
Construction	18,626	11%
Commercial/Industrial	12,411	7%
Other	21	<1%
<b>Total</b>	<b>162,303</b>	<b>100%</b>

*\*Source: March 31, 2009, Report of Condition and Income*

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. LANB received an "Outstanding" rating at the last CRA examination, dated May 5, 2003.

## **DESCRIPTION OF ASSESSMENT AREAS**

LANB's two assessment areas (AA) meet regulatory requirements and do not arbitrarily exclude low-or moderate-income geographies.

The Los Angeles County defined area consists of 682 contiguous census tracts in the southeastern portion of the Los Angeles-Long Beach-Riverside Metropolitan Statistical Area (MSA) 31084.

The Orange County defined area consists of all 577 census tracts that comprise Orange County in the Santa Ana-Anaheim-Irvine MSA 42044.

### **LOS ANGELES COUNTY ASSESSMENT AREA**

The Los Angeles County AA consists of whole adjacent cities, as well as whole contiguous census tracts commonly known as the community of "East Los Angeles." The bank helps meet community credit needs in the AA at its Silverlake and Monterey Park offices.

The 2000 U.S. Census reported a population in the delineated area of 3.2 million. Of the 682 census tracts, 11 percent are low-income, 33 percent are moderate-income, 31 percent are middle-income and 25 percent are upper income. The 2000 U.S. Census MSA weighted average median family income is \$46,509. The 2009 HUD updated MSA median family income is \$62,100. The 2000 Census median housing value was \$197,833. Approximately 47 percent of all housing units are owner-occupied. The 2008 median sales price was \$402,100 [Source: National Association of REALTORS® Median Sales Price of Existing Single-Family Homes for Metropolitan Areas].

The Los Angeles County is one of the largest in the nation and is a complex urban area

with a diverse manufacturing base. The area economy is highly exposed to slowing consumer spending given weakened household credit conditions, reflective of the statewide and national economic condition. Apparel manufacturing and temporary-employment positions are among the largest contributors to job losses in recent months amid weak business and consumer spending. Falling trade levels have pushed Los Angeles into deeper recession. Analysts report that recovery in trade-related industries hinges on a global economic rebound, which is not expected to be imminent. [Source: [Los Angeles County.gov](http://LosAngelesCounty.gov) Internet website].

The unemployment rate in Los Angeles County is 10.7 percent as of April 2009, similar to the state unemployment rate of 11 percent and above the national unemployment rate of 8.9 percent. [Source: California Employment Development Department]. The economic outlook for 2009 indicates negative growth. The Los Angeles Economic Development Council projects a job loss rate of 2.2 percent in 2009. The largest unemployment losses in 2009 are expected to occur in retailing, manufacturing, and construction.

The largest employers include the University of California Los Angeles; Kaiser Permanente; Northrop Grumman; Bank of America, Boeing Company; Kroger Company, and the University of Southern California. The major sectors that contribute to employment are concentrated in government, education and health services, and professional and business services. [Source: Moody's Economy, April 2009] Health services and private education services show positive growth in 2009 and 2010. [Source: Los Angeles Economic Development Corporation, Economic Forecast February 2009].

There is strong competition for market share among area financial institutions, including several community banks and branches of large banks. The bank considers its primary competitors in the AA to be First general Bank, Cathay Bank, Preferred Bank, Guaranty Bank of California, East-West Bank, and United Commercial Bank. Large bank competitors include Bank of America and Wells Fargo Bank.

## **ORANGE COUNTY ASSESSMENT AREA**

LANB's Orange County AA consists of all 577 census tracts that comprise Orange County. The area economy is diverse, historically less dependent on manufacturing than Los Angeles County, and has fared somewhat better during the economic downturn. The bank helps meet community credit needs in the area at its Buena Park main office.

The 2000 U.S. Census reported an area population of 2,846,289. The California Employment Development Department (CEDD) reported a more recent population of 3,121,251 for 2008. The census tracts that comprise the area are 4 percent low-income, 27 percent moderate-income, 33 percent middle-income census tracts, and 36 percent upper-income tracts. The 2000 U.S. Census reported a weighted average MSA median family income of \$64,321. The 2009 HUD updated MSA median family income

is \$86,100. The 2000 Census median housing value was \$275,476. Approximately 59 percent of all housing units are owner-occupied. The 2008 median sales price was \$533,200 [Source: National Association of REALTORS® Median Sales Price of Existing Single-Family Homes for Metropolitan Areas].

Orange County has a diverse economy, including bio-technology research and development, retail sales, services, and tourism. Major employers in the area include Walt Disney Company, Boeing, the University of California, Irvine, and California State University, Fullerton.

The county unemployment rate as of April 2009 was 8.3 percent, below both the state unemployment rate of 10.6 percent and the national unemployment rate of 8.9 percent. Economists project job growth of 1.1 percent in Orange County during 2010, centered in professional services, information, government, and healthcare. [Source: UCLA Anderson Forecast October 2008; California Employment Development Department, April 2009.]

There is strong competition for market share among area financial institutions, including several community banks and branches of large banks. The bank considers its primary competitors in the AA to be First General Bank, Cathay Bank, Preferred Bank, Guaranty Bank of California, East-West Bank, and United Commercial Bank. Large bank branch competition includes Bank of America and Wells Fargo Bank.

Examiners contacted two organizations to assess community credit needs in the AAs. The organizations identified the growing need for capital for small businesses in both AAs, especially given restraints on credit availability associated with the slowing economy.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

LANB's loan-to-deposit ratio (LTD) exceeds the standard for satisfactory performance. We analyzed the bank's average quarterly LTD ratio since the last CRA examination from March 2003 to December 2008 (24 quarters). During this period, the bank's LTD ratio averaged 87 percent. This exceeds the 78 percent average ratio of four similarly situated banks during the same period (banks with similar asset size doing business in similar demographic areas).

### **Lending in Assessment Area**

LANB granted a majority of its loans within its AAs and meets the standard for satisfactory performance.

For this evaluation, we randomly sampled 20 commercial loans the bank originated or purchased from January 2007 through March 2009. We sampled commercial loans since they represent the bank’s primary lending activity. The bank originated 75% of the number of loans and 64% of the dollar volume within its AAs.

**Table 1**

<b>Lending in the Los Angeles and Orange County Assessment Areas Commercial Loans January 2007 through March 2009</b>											
Commercial Loan Sample	<b>Number of Loans</b>					Total #	<b>Dollar Amount of Loans</b>				Total (000's)
	<b>Inside</b>		<b>Outside</b>		<b>Inside</b>		<b>Outside</b>				
	#	%	#	%	\$		%	\$	%		
<b>Percentages</b>	15	<b>75%</b>	5	25%	20	\$4,601	<b>64%</b>	\$2,622	36%	\$7,223	

Source: Random sample of 20 bank loan originations from January 2007 through March 2009

**Lending to Businesses of Different Sizes**

LANB’s distribution of lending to businesses of different sizes compares reasonably with area demographics and meets the standard of satisfactory performance.

We analyzed 20 commercial loans that the bank originated or purchased within each of the two AAs from January 2007 through March 2009. Based on each of the two samples, the number and dollar volume of loans granted to business borrowers with revenue of \$1 million or less compares reasonably with area demographics in each AA.

Los Angeles AA

The bank originated 60 percent of loans (by number) and 24 percent (by dollar volume) to small business borrowers in the Los Angeles AA as reflected in the following table. We placed greater weight on the number of loans for this analysis, and the percentage of the number of sampled loans reasonably compares to small business demographics in the Los Angeles area.

**Table 2a**

<b>Lending to Businesses of Different Sizes Distribution of Commercial Loans Los Angeles - Assessment Area January 2007 through March 2009</b>			
Business Revenue	≤\$1,000,000	>\$1,000,000	Total
* % of AA Businesses	67%	6%	100% *
** % of Bank Loans in AA by #	<b>60%</b>	<b>40%</b>	100%
** % of Bank Loans in AA by \$	<b>24%</b>	<b>76%</b>	100%

Source: \*Dunn & Bradstreet reported revenue data (27% of businesses did not report revenue data); \*\*Loan Sample

Orange County AA

The bank originated 80 percent of loans (by number) and 48 percent (by dollar volume) to small business borrowers in the Orange County AA as reflected in the following table. We placed greater weight on the number of loans for this analysis, and the percentage of the number of sampled loans compares favorably to small business demographics in the Orange County area.

**Table 2b**

<b>Lending to Businesses of Different Sizes Distribution of Commercial Loans Orange County - Assessment Area January 2007 through March 2009</b>			
Business Revenue	≤\$1,000,000	>\$1,000,000	Total
* % of AA Businesses	68%	6%	100% *
** % of Bank Loans in AA by #	<b>80%</b>	<b>20%</b>	100%
** % of Bank Loans in AA by \$	<b>48%</b>	<b>52%</b>	100%

Source: \*Dunn & Bradstreet reported revenue data (26 % of businesses did not report revenue data);

\*\*Loan Sample

**Geographic Distribution of Loans**

LANB’s geographic distribution of loans exceeds the standard for satisfactory performance.

We analyzed 20 commercial loans that the bank originated or purchased within each of the two AAs from January 2007 through March 2009. Based on each of the samples, the distribution of the number of loans compares favorably to area demographics and very favorably in moderate income census tracts.

Los Angeles AA

In the Los Angeles AA, the percentage of sampled loans exceeded the percentage of small businesses in moderate income census tracts. The following table compares the bank’s distribution of commercial loans to area business geo-demographics.

**Table 3a**

<b>Geographic Distribution of Commercial Loans Los Angeles Assessment Area January 2007 through March 2009</b>								
<b>Census Tract Income Levels</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Businesses*	% of Number of LANB Loans**	% of AA Businesses	% of Number of LANB Loans**	% of AA Businesses	% of Number of LANB Loans**	% of AA Businesses	% of Number of LANB Loans**
Commercial Loan Sample	11%	5%	33%	40%	32%	20%	24%	35%

\* Source: Dunn & Bradstreet business data by geographic location; \*\*Loan Sample

Orange County AA

In the Orange County AA, the percentage of sampled loans well exceeded the percentage of small businesses in low- and moderate-income census tracts. The following table compares the bank's distribution of commercial loans to area business geo-demographics.

**Table 3b**

<b>Geographic Distribution of Commercial Loans Orange County Assessment Area January 2007 through March 2009</b>								
<b>Census Tract Income Levels</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Businesses*	% of Number of LANB Loans**	% of AA Businesses	% of Number of LANB Loans**	% of AA Businesses	% of Number of LANB Loans**	% of AA Businesses	% of Number of LANB Loans**
Commercial Loan Sample	4%	10%	27%	40%	33%	25%	36%	25%

\* Source: Dunn & Bradstreet business data by geographic location; \*\*Loan Sample



## **Responses to Complaints**

Los Angeles National Bank has not received any written complaints associated with its performance under the Community Reinvestment Act.

## **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.