



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 4, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of East Asia, USA, National Association
Charter Number 24440

202 Canal Street
New York, New York 10013

Comptroller of the Currency
International Banking Supervision
340 Madison Avenue, 9th Floor
New York, New York 10173-0002

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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors supporting the institution's rating include:

- The bank's average loan-to-deposit ratio is more than reasonable and meets the standard for outstanding performance;
- A substantial majority of the bank's loans were originated in the bank's assessment areas;
- The distribution of loans reflects excellent penetration among businesses of different sizes in the AAs;
- The geographic distribution of loans reflects excellent dispersion throughout the AAs; and
- The bank's community development (CD) performance demonstrates excellent responsiveness to the needs of the AAs through loans, qualified investments, and services.

Scope of Examination

The Bank of East Asia, USA, NA (BEA-USA) was evaluated under the Intermediate Small Bank (ISB) performance criteria, which include a lending test and a community development test. The lending test evaluates a bank's record of helping meet the credit needs of its AA through its lending activities. The CD test evaluates a bank's CD lending, qualified investments, and CD services. The evaluation period covers loans originated or purchased from January 1, 2007 to September 30, 2009 and CD activities from April 26, 2006 through January 4, 2010.

The bank's primary loan product is commercial loans which represents 79% of the bank's loan portfolio. To evaluate the bank's business lending performance, we selected a sample of business loans made from January 1, 2007 through September 30, 2009 for each AA.

Description of Institution

The Bank of East Asia, USA, National Association (BEA-USA) is a national bank headquartered in the Chinatown area of Manhattan, NY. As of September 30, 2009, BEA-USA had total assets of approximately \$700 million. BEA-USA's parent bank is the Bank of East Asia, Limited, Hong Kong (BEA), which has total consolidated assets of \$53 billion. As the largest independent bank in Hong

Kong, BEA has had a presence in New York City since 1984 when it established a wholesale-funded, non-insured federal branch in midtown Manhattan. The bank also has another affiliated retail federal branch that is FDIC insured.

BEA-USA was formed in August 2001 through the acquisition of Grand National Bank, headquartered in Alhambra, California. To reflect its membership in the BEA Group, Grand National Bank changed its name to Bank of East Asia, USA, National Association in August 2002. As part of its strategy to develop a bicoastal branch network, the bank relocated its headquarters from Alhambra to New York City in December 2003. In May 2006, BEA-USA expanded its operations to the Northern California region, specifically the San Francisco market, through the acquisition of National American Bancorp.

Since the last examination, BEA-USA added eight new branches, three branches in the suburbs of Los Angeles, two in New York City; two in the San Francisco Bay area and one branch in the Oakland, CA. BEA-USA opened the Oakland branch in January 2009. The bank also closed the San Francisco Financial District branch, consolidating its deposits and operations into the branch in the nearby San Francisco Chinatown District, which it opened in October 2008. Currently, BEA-USA has a network of 13 branches, five in the Los Angeles suburbs, five in the San Francisco Bay area and three in New York City.

The bank provides comprehensive retail and commercial banking, as well as trade finance services, providing a range of credit and deposit products to meet consumer and commercial banking needs. There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AA's. The prior CRA examination was dated May 1, 2006, and BEA-USA was rated "Satisfactory."

Description of Assessment Area(s)

BEA-USA has designated the following assessment areas (AAs):

- The bank has one AA located in the state of New York. It includes three counties, Kings, Manhattan, and Queens Counties, which are located in the New-York-White Plains-Wayne, NY-NJ Metropolitan Division (MD) 35644, which is part of the New York-New Jersey-Long Island, NY-NJ-PA MSA 35620.
- The bank has three AAs located in the state of California. Two are in the Northern California region and one in Southern California as noted below:

- Northern California: One AA consists of the entire San Francisco-San Mateo-Redwood City, CA MD 41884. The other includes the Alameda County portion of the Oakland-Fremont-Hayward, CA MD 36084. Both of these MDs are part of greater San Francisco-Oakland-Fremont, CA MSA 41860.
- Southern California: The AA includes the entire Los Angeles-Long Beach-Glendale MD 31084.

BEA-USA's AAs comply with the legal requirements of CRA and do not arbitrarily exclude low- and moderate-income areas.

Selection of Areas for Full-Scope Review

The MDs where the bank has significant operations were selected for full-scope reviews. This includes the NY-NJ-PA MSA 35620 (Kings, New York and Queens Counties), the entire SF-SM-RC, CA MD 41884 and the LA-LB-G, VA MD 36084.

In January 2009, BEA-USA opened a branch in the Oakland, CA area; due to the insufficient volume of lending we were unable to pick a representative sample to test the bank's performance in that area. Therefore, it would not be meaningful to include the Oakland-Fremont-Hayward, CA MD 36084 as part of the evaluation.

Ratings

The bank's overall rating is a combination of state ratings. BEA-USA's CRA rating takes into account the ratings in the states of New York and California. We considered the significance of the bank's activities in each state and area compared with the bank's overall activities. In addition, we considered the lending opportunities, as well as the demographic and economic conditions in each state.

The state ratings are based on those areas that received full-scope reviews. However, in the state of California, more weight was placed on the Southern California - Los Angeles County AA given that the bank did not enter the Northern California region until mid-2006 and lending activity remains limited.

Conclusions with Respect to Performance Criteria

BEA-USA's performance under the lending test is outstanding.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

BEA-USA’s loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, AA credit needs and it meets the standard for outstanding performance. The bank’s net loan-to-deposit ratio averaged 119% over the last 14 quarters. This ratio ranged from a quarterly low of 93% to a quarterly high of 153% during the time period.

The bank’s net loan-to-deposit ratio compares favorably with other financial institutions of similar size, location and product offerings. The average net loan-to-deposit ratios for peer banks over the same 14 quarters averaged 88% and ranged from 85% to 91%.

Lending in Assessment Area

A substantial majority of BEA-USA’s commercial real estate loans originated during the evaluation period were originated within the bank’s AA. As a result of this performance, BEA-USA meets the standard for outstanding performance. Based on our loan sample, 97% of the number and 96% of the dollar amount of bank’s lending was originated inside the AA. The following table details the bank’s lending within the AA by number and dollar amount of loans.

Table 1 - Lending in the BEA-USA AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Real Estate Loans	58	97%	2	3%	60	21,880	96%	980	4%	22,860

Source: Sampled business loan data 1/1/07-9/30/09

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.

State Rating

State of New York – Kings, New York and Queens Counties

CRA Rating for New York: Outstanding.

The Lending Test is rated: Outstanding.

The Community Development test is rated: Outstanding.

- The distribution of loans reflects excellent penetration among businesses of different sizes;
- The geographic distribution of loans in the AA reflects excellent dispersion; and
- The bank’s community development performance demonstrates excellent responsiveness to community development needs in its AAs through CD loans, investments and services.

Description of Institution’s Operations in New York

Kings, New York and Queens Counties AA MD 35620

Demographic Information for Full Scope Area: New York AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,752	10.90	28.77	32.48	25.46	2.40
Population by Geography	6,231,900	12.27	33.15	29.77	24.76	0.05
Owner-Occupied Housing by Geography	721,879	2.53	18.50	36.31	42.66	0.00
Business by Geography	575,851	6.83	21.52	22.18	48.09	1.38
Farms by Geography	1,789	5.14	16.99	25.99	51.54	0.34
Family Distribution by Income Level	1,437,894	29.52	16.65	17.12	36.71	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	663,887	20.29	42.77	26.74	10.19	0.00
Median Family Income		49,461	Median Housing Value		258,256	
HUD Adjusted Median Family Income for 2009		64,800	Unemployment Rate (Dec 2009 National)		10%	
Households Below Poverty Level		19%	NY State Rate		8.6%	
			Kings County		11%	
			New York County		9.2%	
			Queens County		9.1%	

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2009 HUD updated MFI

BEA-USA-NA has designated its assessment area (AA) to include three counties within the New York-White Plains-Wayne, NY-NJ MD 35644 which is part of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA 35620. The bank has chosen Kings, Manhattan and Queens Counties as its AA. The AA complies with the legal requirements of CRA and does not arbitrarily exclude low- and moderate-income areas.

The local economy within the AA is currently trying to rebound from setbacks suffered during the recent decline in the national economy. The AA was particularly hit hard as it experienced the loss of several large financial institutions who were major employers in the AA. Despite the downturn, the AA continues to be the home of many large and diversified financial services companies, contributing to a fiercely competitive market for all types of products. Major competitors in the AA include JP Morgan Chase, Bank of America, Bank of NY Mellon, Citibank, and HSBC. These are in addition to other financial institutions that compete for the same local customer base.

The AA remains diversified with a mix of businesses that reflect the various cultures within the city. Many national and international corporations are headquartered in the AA. The downtown area traditionally has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing and garment production. The retail sector is a major employer with several large department stores and small businesses throughout the AA. Tourism is a major economic force with museums, attractions and a vibrant performing arts industry. Television and film production is another growth industry in the AA. The largest employers in the area are New York Presbyterian Healthcare Systems, Citigroup, JP Morgan Chase, Verizon and Federated Department Stores

In conducting the assessment of the bank's performance, we contacted a local organization. The organization stated that commercial lending to fund various revitalization projects, financing the development of commercial, industrial and residential units, lines of credit for non-profits and loans or grants to small business were amongst the needs of the community. The contact states that although more bank branches have opened in the area, access to financial services is still a need. There is a need for small business training, financial literacy, subsidies for affordable housing, and foreclosure prevention assistance. Additionally, the contact states that there are ample opportunities available to provide community development assistance within the AA. The contact states that there are 46 active Community Development Financial Institutions (CDFIs) operating in NYC; most are large and offer various CD opportunities. Neighborhood Housing Services (NHS) of NYC is very active and has numerous opportunities for bank partnership and the NYC government has several new initiatives to assist LMI with affordable housing and small business lending.

Scope of Evaluation in New York

The New York-Northern New Jersey-Long Island, NY-NJ-PA MSA- Queens, Manhattan, and Kings Counties AA received a full-scope review. As such, the New York state rating is based on the results of this AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BEA-USA’s performance in the NY AA is rated “Outstanding.”

Lending to Businesses of Different Sizes

The distribution of loans reflects excellent penetration among businesses of different sizes, and BEA-USA’s record of lending to businesses of different sizes meets the standard for outstanding performance. Ninety-five percent of the bank’s loans to businesses originated and purchased during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less.

The following table details the bank’s performance in lending to businesses of different sizes.

Table 2 - Borrower Distribution of Loans to Businesses in NY AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.05%	5.98%	19.97%	100%
% of Bank Loans in AA by #	95.00%	0.00%	5.00%	100%
% of Bank Loans in AA by \$	96.34%	0.00%	3.66%	100%

Source: small business loans sampled from 1/1/07 – 9/30/09

Geographic Distribution of Loans

Overall, the geographic distribution of loans in the AA reflects excellent dispersion. We did not identify any unexplained conspicuous gaps.

BEA-USA’s performance meets the standard for outstanding performance. The percentage of BEA-USA’s small loans to businesses made in both low- and moderate-income geographies exceeds the percentage of businesses that are located in AA. BEA-USA’s performance is outstanding despite the high level of competition within the AA. In light of the heavy competition, the performance is even more noteworthy. The top five lenders comprised approximately 80% of all loans made in low- to moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Table 3 – Geographic Distribution of Loans in NY AA								
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
Business	6.83%	25.00%	21.52%	30.00%	22.18%	30.00%	48.09%	15.00%

Source: small business loans sampled from 1/1/07-9/30/09

Responses to Complaints

BEA-USA did not receive any CRA related complaints during this evaluation period.

Community Development Test

The bank's performance under the Community Development (CD) test in New York is rated "Outstanding." There are ample community development opportunities in the AA. These range from revitalization projects to financing affordable housing developments, and numerous non-profit organizations geared toward supporting low- and moderate-income individuals. The bank has been an active supporter of these initiatives through its lending for housing, donations and contributions made to various non-profits, and volunteer work within the community.

The bank originated fifteen CD loans, totaling \$18.6 million, during the evaluation period. The loans were distributed among various projects. Two loans were made for community service projects, five loans were for affordable housing, four loans to promote economic development, and four loans for revitalization and stabilization efforts toward low- and moderate-income communities.

The bank also had a total of twenty-two qualified investments totaling approximately \$2.6 million, two of which were FNMA investments that alone totaled \$2.5 million. The remainder consisted of charitable donations made to various organizations. Ten were made to organizations that support affordable housing initiatives, three to organizations that participate in revitalization efforts, and the remaining twelve were to support a range of groups that offer many community services, including health care, youth programs, meals, and shelter to families in low- and moderate-income areas.

Bank staff provided ten CD services during the evaluation period at various events. These included financial literacy seminars, providing information about banking mechanisms and operations, and homeownership seminars. Two of these services were provided to organizations that support affordable housing, and eight were to organizations that provide a range of community services.

State Rating

State of California (CA) – Northern and Southern Regions

CRA Rating for California: Outstanding.

The Lending Test is rated: Outstanding.

The Community Development test is rated: Outstanding.

- The distribution of loans reflects excellent penetration among businesses of different sizes;
- The geographic distribution of loans in the AA reflects excellent dispersion; and
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs through CD loans, investments, and services.

Description of Institution's Operations in California

BEA-USA-NA has three AAs within the state of California. Two of these AAs are considered the Northern California region. The Northern California region consists of the entire San Francisco-San Mateo-Redwood City, CA MD 41884 and Alameda County which is part of the Oakland-Fremont-Hayward, CA MD 36084. The bank operates four branches in San Francisco, CA and a branch in Oakland, CA. The bank's third AA is located in the Southern California Region. It consists of the entire Los Angeles-Long Beach-Glendale MD 31084. The bank operates five branches in this AA.

Scope of Evaluation in California

The San Francisco-San Mateo-Redwood City MD 41884 and the Los Angeles-Long Beach-Glendale MD 31084 both received full-scope reviews. We did not complete a review of the Oakland-Fremont-Hayward MD-Alameda County AA as it would not be meaningful due to the insufficient lending activity during our evaluation period. This is primarily attributable to the fact that the bank's presence in the Northern California area remains relatively new. With only one branch in the Alameda County AA, as well as limited operations, this is a limited-scope area for CRA purposes with negligible impact on the state conclusions. The deposits of the only branch in that county represent only 0.9% of the bank's total. As such, the California state ratings are based on the results of those areas that received full-scope reviews.

SAN FRANCISCO-SAN MATEO-REDWOOD CITY, CA MD 41884

BEA-USA AA is described below:

San Francisco-San Mateo-Redwood City MD

Demographic Information for Full-Scope Area: Northern CA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	382	7.33	21.47	39.01	31.68	0.52
Population by Geography	1,731,183	7.21	21.80	42.21	28.77	0.00
Owner-Occupied Housing by Geography	335,597	1.54	12.79	45.12	40.55	0.00
Business by Geography	209,843	15.10	18.11	34.90	31.80	0.08
Farms by Geography	2,420	6.86	15.08	43.68	34.38	0.00
Family Distribution by Income Level	381,072	21.33	17.59	19.98	41.11	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	148,300	11.85	28.05	42.49	17.60	0.00
Median Family Income		75,188	Median Housing Value		501,526	
HUD Adjusted Median Family Income for 2009		96,800	Unemployment Rate (November 2009)		10%	
Households Below Poverty Level		8%	State of CA Rate		12.3%	
			SF-SM-RC MD		10.3%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census, 2009 HUD updated MFI and Bureau of Labor Statistics

The area was projected to, and did achieve tremendous growth during the mid-portion of the decade. Despite the expense associated with living in the area, the housing boom, and growth in the life sciences and research and development sectors drove growth in employment in the area. However, the decline in the housing market has also reached the area. Housing values have declined from a high in excess of \$700,000 to \$501,526. The California Association of Realtors reports an average decline of 22.5 percent in housing values from 2007 to 2008.

Employment in the area has been impacted by the recent economic environment. The unemployment rate at the end of 2007 was 4.7 percent and subsequently rose to 6.1 percent in December 2008. It is currently at 10.3%, which is lower than the state unemployment rate of 12.3% but still high.

The state and local governments are the area’s leading industries. Following them are traveler services and restaurants, computer systems design and related services, and general medical and surgical hospitals. Major employers include the University of California-San Francisco, United Airlines, Inc., Wells Fargo, and Kaiser Permanente. It is anticipated that the national economic recession will have a greater impact on the area during 2010.

At the 2000 census, the population was 1.7 million. It remained the same during the next several years. In fact, the population experienced a net out migration of 3,845 in the period from 2000 to 2007 with most of those leaving moving to Oakland in the East Bay area. The percentage of households living below the poverty level is 8%.

Affordable housing remains a challenge in San Francisco. Despite the reduction in values, affordability is still a problem. The area is known for its community development and philanthropic organizations that provide assistance to organizations throughout northern California. As part of this examination we contacted a local community organization who advised that there are innumerable opportunities for financial institutions to become involved in activities that benefit low- and moderate-income neighborhoods and individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BEA-USA’s performance in the AA is rated “Satisfactory.”

Lending to Businesses of Different Sizes

The distribution of loans reflects reasonable penetration among businesses of different sizes, and BEA-USA’s record of lending to businesses of different sizes meets the standard for satisfactory performance. Forty percent of the bank’s loans to businesses originated and purchased during the loan sampling period were made to small businesses. BEA-USA’s performance is satisfactory given the high level of competition. The top five lenders comprised approximately 80% of all loans made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less.

The following table details the bank’s performance in lending to businesses of different sizes.

Table 4 - Borrower Distribution of Loans to Businesses in Northern CA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.30%	5.18%	19.52%	100%
% of Bank Loans in AA by #	40%	15%	45%	100%
% of Bank Loans in AA by \$	27.32%	13.34%	59.34%	100%

Source: small business loans sampled from 1/1/07 – 9/30/09

Geographic Distribution of Loans

Overall, the geographic distribution of loans in the AA reflects excellent dispersion. We did not identify any unexplained conspicuous gaps.

BEA-USA’s performance meets the standard for outstanding performance. The percentage of BEA-USA’s small loans to businesses made in both low- and moderate-income geographies exceeds the percentage of businesses that are located in AA. BEA-USA’s performance is outstanding before considering the high level of competition within the AA. The top five lenders comprised approximately 83% of all loans made in low-to moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Table 5 – Geographic Distribution of Loans in Northern CA AA								
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
Business	15.10%	30%	18.11%	40%	34.90%	30%	31.80%	0%

Source: small business loans sampled from 1/1/07-9/30/09

Responses to Complaints

BEA-USA did not receive any CRA related complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test in AA is rated “Satisfactory.” CD lending, investments, and services in the AA represent adequate responsiveness to the CD needs of the AA. There are numerous community development and philanthropic organizations in the area, and affordable housing has been identified as a challenge. The bank has been responsive to this need through its lending and charitable donations that primarily support affordable housing projects.

The bank originated three community development loans, totaling \$1.4 million, during the evaluation period. These loans financed community service projects, affordable housing, and activities that will promote economic development in low- and moderate-income areas.

The bank also had thirteen qualified investments consisting entirely of charitable donations made to six different organizations, totaling \$10,500. These organizations primarily support affordable housing and provide a range of community services, including, health care, youth programs, shelter, and meals to families in low-and moderate-income areas.

Bank staff provided two CD services to two different organizations during the evaluation period. These consisted of financial literacy programs and workshops for senior citizens in low-and moderate-income areas.

LOS ANGELES-LONG BEACH-GLENDALE, CA MD 31084

BEA-USA-NA AA is described below:

Los Angeles-Long Beach-Glendale MD

Demographic Information for Full Scope Area: Southern CA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,054	8.71	28.29	27.99	34.23	0.78
Population by Geography	9,519,338	8.00	29.44	30.88	31.58	0.10
Owner-Occupied Housing by Geography	1,499,694	1.91	15.46	31.30	51.33	0.00
Business by Geography	973,871	7.58	20.47	26.51	44.65	0.80
Farms by Geography	7,437	3.82	15.53	31.24	48.90	0.51
Family Distribution by Income Level	2,154,311	23.87	16.49	17.40	42.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	869,463	13.65	41.46	28.95	15.94	0.00
Median Family Income		46,509	Median Housing Value		240,248	
HUD Adjusted Median Family Income for 2009		62,100	Unemployment Rate (Dec 2009 National)		10%	
Households Below Poverty Level		15%	CA State Rate		12.3%	
			LA-LB-G MSA Rate		11.5%	

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2009 HUD updated MFI

As a result of weak regional and global trade, Los Angeles has remained in a recession. The unemployment rate is now above 11% and slightly higher than the national average. Employment has dropped by 5% since its peak in 2007. Apparel manufacturing, motion pictures, architecture, and accounting are among the largest contributors to job losses in recent months. In contrast, the previous outflow of construction and retail jobs is slowing.

Falling house prices continue to reduce inventories of unsold houses, contributing to the expectation that the housing market will reach bottom as soon as next year. As a result of falling prices, home sales have spurred, up 30% in June from a year earlier. The price drops have also helped to boost Los Angeles' housing affordability relative to its neighboring metro areas. Construction permits for single-family homes have started to pick up in recent

months, signaling a potential revival in construction demand. Nonetheless mortgage delinquencies and foreclosures in the area are still rising.

The economy of Los Angeles is driven by international trade, entertainment (television, motion pictures, interactive games, recorded music), aerospace, technology, petroleum, fashion, apparel, and tourism. Los Angeles is also the largest manufacturing center in the western United States. The contiguous ports of Los Angeles and Long Beach together comprise the fifth busiest port in the world and the most significant port in the Western Hemisphere and is vital to trade within the Pacific Rim. Other significant industries include media production, finance, telecommunications, law, healthcare, and transportation. We reviewed a recent community contact, which identified financing or capital programs for small businesses and funding for affordable housing projects as primary needs in the area.

The state and local government are the largest employers in the area. Other major employers in the area are the LA school district, federal government, University of California, Kaiser Permanente, Northrop Grumman Corp., Boeing Co., Kruger Co., and University of Southern California. Major competitors in the AA include Bank of America, Wells Fargo Bank, NA, JP Morgan Chase, Union Bank, NA, Citibank, and City National Bank. These are in addition to other financial institutions that compete for the same local customer base.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BEA-USA performance in the AA is rated “Outstanding.”

Lending to Businesses of Different Sizes

The distribution of loans reflects excellent penetration among businesses of different sizes, and BEA-USA’s record of lending to businesses of different sizes meets the standard for outstanding performance. Sixty-five percent of the bank’s loans to businesses originated and purchased during the loan sampling period were made to small businesses. BEA-USA’s performance is outstanding given the high level of competition. The top five lenders comprised approximately 73% of all loans made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less.

The following table details the bank’s performance in lending to businesses of different sizes.

Table 6 - Borrower Distribution of Loans to Businesses in Southern CA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.36%	4.60%	20.04%	100%
% of Bank Loans in AA by #	65.00%	5.00%	30.00%	100%

% of Bank Loans in AA by \$	47.28%	6.32%	46.40%	100%
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Source: small business loans sampled from 1/1/07 – 9/30/09

Geographic Distribution of Loans

Overall, the geographic distribution of loans in the AA reflects excellent dispersion. We did not identify any unexplained conspicuous gaps.

BEA-USA’s performance meets the standard for outstanding performance. The percentage of BEA-USA’s small loans to businesses made in both low- and moderate-income geographies exceeds the percentage of businesses that are located in AA. BEA-USA’s performance is outstanding before considering the high level of competition within the AA. The top five lenders comprised approximately 80% of all loans made in low- to moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Table 7 – Geographic Distribution of Loans in Southern CA AA								
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
Business	7.58%	25%	20.47%	45%	26.51%	15%	44.65%	15%

Source: small business loans sampled from 1/1/07-9/30/09

Responses to Complaints

BEA-USA did not receive any CRA related complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test in the Southern CA AA is rated “Outstanding.” CD lending, investments, and services in the AA represent excellent responsiveness to the CD needs of the AA. There are substantial opportunities for the bank to support the CD needs in the area. This includes financing for small businesses, general guidance and information for business owners to obtain financing and affordable housing which have been identified as primary needs. The bank has addressed these needs through volunteering with organizations such as the Small Business Administration that provide financial literacy seminars to low-and moderate-income individuals and supporting affordable housing initiatives in the area.

The bank originated four CD loans, totaling approximately \$7.6 million, during the evaluation period. Three of the loans were made to finance projects that

promote economic development and one was made to finance an affordable housing project in low-and moderate- income areas.

The bank also had sixty-nine qualified investments, ten of which were made under the Interest on Lawyers Accounts program (“IOLTA”). Under this program, the bank pays the interest on these accounts to the State of California, for providing civil legal aid to families living in low-and moderate-income geographies. The remainder consisted of charitable donations, totaling approximately \$1 million, made to various organizations, primarily to support a range of groups that offer many community services, including health care, youth programs, meals, and shelter to people in low and moderate income areas. Other donations were made to organization that support affordable housing, promote economic development, and initiate revitalization and stabilization efforts.

Bank staff provided four CD services during the evaluation period at different events, which included financial literacy seminars, and information on homeownership. Three of these services were provided to organizations that provide a range of community services, and one to an organization that promotes economic development through small businesses.