



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 5, 2008**

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

Saigon National Bank  
Charter Number 24577

15606 Brookhurst Street, Suite C  
Westminster, CA 92683-7582

Office of the Comptroller of the Currency

Southern California Field South Office  
1925 Palomar Oaks Way, Suite 202  
Carlsbad, CA 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 geographic distribution of loans reflects excellent dispersion throughout the assessment area and compares very favorably to area demographics.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- Lending patterns reflect satisfactory penetration among businesses of different sizes.

The bank did not originate a majority of the number and dollar volume of loans within its defined assessment area. As a newly formed financial institution, the bank purchased a number of loan participations from outside its assessment area to help achieve early asset growth. Management's strategy is to increase lending within the defined area as the bank gains increased recognition in the marketplace over time.

**SCOPE OF EXAMINATION**

We evaluated performance using the lending test criteria in the CRA regulation for small bank examinations. We analyzed a random sample of business loans the bank originated or purchased since opening in November 2005 through December 31, 2007. We focused our review on commercial loans because they represent the bank's primary lending activity.

**DESCRIPTION OF INSTITUTION**

Saigon National Bank is an independently owned full-service commercial bank headquartered in Orange County, California. The bank provides community access to credit from its office in the City of Westminster, which is located in a middle-income census tract. The bank does not currently maintain an automatic teller machine (ATM), but waives fees for its customers who use ATMs owned by other banks.

The immediate area surrounding the office, commonly known as "Little Saigon," has a large Vietnamese-speaking community. During Saigon National Bank's early years of operation, the Board of Directors and bank management established a presence in this community, which included hiring Vietnamese-speaking bank staff. This helped the local community gain access to banking services more readily. Over time, management plans to expand market presence throughout the bank's assessment area.

Saigon National Bank is a federally designated "Minority Deposit Institution," which enables other financial institutions to make qualified CRA community development investments through deposits they place at Saigon National Bank.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of its community. As of December 31, 2007, the bank reported total assets of \$38 million, net loans of \$23 million (61 percent of total assets), and total deposits of \$27 million. Commercial and commercial real estate-secured loans comprise 98 percent of the loan portfolio.

<b>Loan Portfolio Composition December 31, 2007</b>		
<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Commercial Business	11,348	50%
Commercial Real Estate and Construction	11,066	48%
Residential Real Estate Secured	290	1%
Consumer	278	1%
<b>Total:</b>	<b>\$22,982</b>	<b>100%</b>

*\* Source: December 31, 2007 Report of Condition and Income*

This is the bank's first CRA examination since opening in November 2005.

## **DESCRIPTION OF ASSESSMENT AREA**

The area consists of the 577 census tracts that comprise the Orange County, Metropolitan Statistical Area (MSA) 5945. Orange County is situated in Southern California and is bounded by the counties of Los Angeles to the north, San Diego to the south, Riverside to the east, and by the Pacific Ocean to the west. Population was 2,846,289 according to the 2000 U.S. Census Bureau. Per the California Employment Development Department (CEDD), the 2007 population was 3,098,121. The median housing value in the area according to the Census was \$275,476. The CEDD reports a more recent figure of \$510,000 as of March 2008. Approximately 59 percent of all housing units are owner-occupied. The Housing and Urban Development (HUD) updated median household income is \$78,300. Of the 577 census tracts, 4 percent are low-income, 27 percent are moderate-income, 33 percent are middle-income and 36 percent are upper-income.

Orange County has a diverse economy, with slowing growth expected in 2008. The unemployment rate as of March 2008 was 4.6 percent, below both the state unemployment rate of 6.4 percent and national unemployment rate of 5.2 percent. The employed labor force in March 2008 was approximately 1.6 million. Major employers in the area include Boeing, the University of California, Irvine, and California State University, Fullerton. Economists project job growth of 1.9 percent in Orange County during 2008, centered in professional and business services, leisure and hospitality, local education, and retail trade. [Source: California Employment Development Department, March 2008]

The banking environment is highly competitive with direct competition from large and mid-size bank branches, and several independent community banks. Major competitors in Orange County include Bank of America, Wells Fargo Bank, Union Bank of California, as well as East West Bank, Cathay Bank, and First Vietnamese Business Bank.

Examiners contacted community organizations in the Orange County MSA. They identified main credit needs to include affordable housing and small loans to small businesses. One organization cited the current need for financial counseling and support for homeowners whose homes are going into foreclosure.

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

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

The bank's loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and area credit needs. We evaluated the quarterly average LTD ratio over the last eight quarters since the bank opened. The bank's average LTD ratio is 91 percent. We compared this ratio to the average LTD ratio of peer banks (similar asset in size and headquartered in Orange County). The average ratio of peer banks during this evaluation period is 92 percent.

### **Lending in Assessment Area**

Saigon National Bank granted less than a majority of the number and dollar volume of its loans within the defined assessment area, which does not meet the standard of satisfactory performance for this criterion.

For this analysis, we randomly sampled 20 business loans the bank originated or purchased during the evaluation period. We focused our analysis on business loans because they represent the bank's primary lending activity.

Based on the sample, the bank originated 50 percent of the number and 29 percent of the dollar volume of loans within its defined area. As a new financial institution, the bank initially purchased participations from other institutions to grow its loan portfolio. These loans include commercial real estate and construction loans, which are typically large dollar amounts. In addition, these purchased loans were often originated outside the bank's assessment area. To improve performance, management is focusing on loan growth within the bank's CRA assessment area as the bank establishes itself over time.

The following table reflects the number and dollar volume of loans the bank originated or purchased inside and outside the assessment area based on our sample.

<b>Lending in the Assessment Area Years 2006 and 2007</b>
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	Number of Loans				Total #	Dollar of Loans				Total (000's)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	10	50%	10	50%	20	\$2,639	29%	\$6,520	71%	\$9,159

*\*Source: Random sample of commercial loans*

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

Lending patterns to businesses of different sizes compares reasonably to area demographics, especially given that this is a new institution. For this analysis, we randomly sampled 20 commercial loans the bank originated or purchased within its assessment area during the evaluation period. We compared lending patterns to area demographics for small businesses (having gross annual revenues of \$1 million or less). We did not analyze consumer lending to borrowers of different income levels because the bank is primarily a commercial lender, and consumer lending is not a significant activity.

Based on the loan sample, the bank originated 55 percent of the number and 65 percent of the dollar volume to small businesses. This compares reasonably to the 2007 Dun & Bradstreet demographic data reflecting that 69 percent of area businesses reported annual revenues of \$1 million or less.

The following table reflects lending patterns to businesses of different sizes.

Distribution of Loans to Businesses Years 2006 and 2007		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	69%	7%
% of Bank Loans in AA by #	55%	45%
% of Bank Loans in AA by \$	65%	35%

*\*Demographic Data Source: 2007 Dun & Bradstreet – 24% of AA businesses did not report revenue data*

### Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area and exceeds the standard for satisfactory performance.

Based on our sample of 20 business loans, the percent of the number of loans in low-income census tracts well exceeded the number of businesses in low-income tracts. The percent of the number of loans in moderate-income census tracts also exceeded the number of businesses in these areas.

The following table reflects the geographic distribution of commercial loans by census

tract category compared to the 2007 Dun & Bradstreet demographic data.

<b>Geographic Distribution of Loans to Businesses Years 2006 and 2007</b>								
<b>Census Tract Income Level*</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Businesses	% of Number of Loans						
Commercial Loan Sample	3%	<b>15%</b>	29%	<b>45%</b>	35%	<b>25%</b>	2%	<b>15%</b>

*\*Demographic Data Source: 2007 Dun & Bradstreet – 1% of the Assessment Area did not report geographic data*

### **Responses to Complaints**

Saigon National Bank received no complaints about its performance under the Community Reinvestment Act during this evaluation period.

### **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.