



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 11, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Legacy Bank, National Association
Charter Number 24363**

**125 East Campbell Avenue
Campbell, CA 95008**

**Comptroller of the Currency
San Francisco Field Office
One Front Street, Suite 1000
San Francisco, CA 94111**

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 Community Reinvestment Act (CRA) Rating

This institution is rated “**Satisfactory.**”

The major factors that support this rating include:

- ❑ The average loan-to-deposit ratio of 83% is good.
- ❑ The majority of loans and other lending-related activities occur in the bank's assessment area.
- ❑ Business loan distribution reflects reasonable penetration among businesses of different sizes.
- ❑ Geographic loan distribution reflects excellent dispersion throughout the assessment area.
- ❑ There have not been any public complaints about the bank's CRA performance.

Description of Institution

Legacy Bank, N.A. (Legacy Bank) was chartered on October 1, 2003. The bank was formed as a locally owned and managed financial institution. Their business plan focuses primarily upon local banking services and community needs. Legacy Bank's marketing strategy stresses its local ownership and commitment to service the banking needs of small-to-medium size businesses, professionals, entrepreneurs, hospitality industry clients, as well as their employees and families.

Legacy Bank's legal headquarters is in Campbell, California, located in Santa Clara County. As of June 30, 2006, Legacy bank had total assets of \$81 million, including \$65 million in gross loans.

There are no legal or financial impediments to the bank's ability to help meet the credit needs of the community. This is the first CRA examination for the bank, so it has no previous performance rating.

Table 1

<i>Types of Loans Outstanding</i>		
Loan Type	\$000s	% of Portfolio
Commercial Loans	27,789	43%
Commercial Real Estate	19,986	31%
Commercial Construction	5,749	9%
Consumer Construction	3,861	6%
Consumer Real Estate	2,932	4%
Consumer	2,629	4%
Other Loans	2,286	3%
Gross Loans:	65,232	100%

*Source: Call Report 6/30/06

Description of Assessment Area

The bank's assessment area (AA) has been designated as Santa Clara County. There are 341 census tracts within the AA; 14 low income tracts, 73 moderate income tracts, 161 middle income tracts, and 93 upper income tracts. The AA meets the requirements of the regulation.

Santa Clara County has become the fourth largest county in the State of California. The following table shows the demographics of the AA according to the 2000 U.S. census data:

Demographic Information for Legacy Bank's Assessment Area: Santa Clara County						
Demographic Characteristics by Number	#	Low	Moderate	Middle	Upper	NA *
Geographies (Census Tract #)	341	14	73	161	93	0
Demographic Characteristics by %	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tract %)	341	4.11%	21.41%	47.21%	27.27%	0%
Population by Geography	1,682,585	4.03%	22.79%	47.69%	25.49%	0.00%
Owner-Occupied Housing by Geography	338,636	1.17%	14.81%	48.40%	35.63%	0.00%
Business by Geography	119,054	3.15%	22.36%	43.36%	31.13%	0.00%
Farms by Geography	1,782	2.64%	24.64%	46.30%	26.43%	0.00%
Family Distribution by Income Level	399,765	3.15%	19.45%	48.46%	28.94%	0.00%
Median Family Income <i>Updated HUD Adjusted Median Family Income</i>		\$86,914 \$93,900	Median Housing Value		\$447,835	

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

Source: 2000 U.S. Census and 2006 HUD updated MFI.

The total population of the assessment area is 1,682,585. The majority of businesses are located in middle-income census tracts. Owner-occupied housing represents 58% of all housing units in the assessment area. Less than 16% of the owner occupied units are located in low- and moderate- income census tracts reflecting a low rate of home ownership in these tracts.

The unemployment rate in Santa Clara County is currently 5.5%. The three largest employment sectors in Santa Clara County are manufacturing (19.7%); professional and business services (19.4%); and trade, transportation, and utilities (15%) according to the State of California Employment Development Department. The 2006 business demographic data shows that 126,395 businesses operate within the bank's current assessment area. Of those with reported revenues, 62% have reported annual revenues of \$1 million or less. Approximately 64% employ fewer than ten employees.

Legacy Bank faces strong competition from 48 banks operating within the assessment area. Legacy Bank ranks 34th in deposit market share with 0.11%. The three largest banks hold a total of over 49% of the deposit market share. The major competing institutions include Bank of America, N.A.; Wells Fargo Bank, N.A.; Washington Mutual Bank, F.A.; Comerica Bank; and Silicon Valley Bank.

In conjunction with this CRA examination, we conducted a community contact interview. The contact stated that although there are several programs geared to the low-income population, there is a need for programs geared toward the middle-income population.

Conclusions about Performance Criteria

Scope of Examination

We evaluated the bank's performance based on loans originated from January 1, 2004 through June 30, 2006. We focused our evaluation on the bank's primary product lines, determined from our review of dollar volumes reported on the June 30, 2006 Call Report. We selected commercial revolving, commercial non real estate, and commercial real estate as the bank's primary loan products. This is a de novo bank, thus the evaluation period for the initial CRA review encompasses originations since inception. Loans made were compared to 2000-based Census demographic comparators. We randomly selected a total of 66 loans for analysis, with 46 falling within the bank's chosen assessment area. We used the sampled loans to review the bank's lending in its AA, its geographic and income distribution of loans, and its overall CRA performance.

Loan-to-Deposit Ratio

Legacy Bank's quarterly average loan-to-deposit ratio of 83% is good.

Since the bank's inception, the bank's quarterly loan-to-deposit ratio averaged 83.17% for the 11 quarters ending June 30, 2006. The quarterly average ratio of similarly situated peer banks in its AA was 81.53% over the same time period.

Lending in Assessment Area

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

Lending Within Assessment Area (AA)				
	# of Loans	% By Number	Dollars (000's)	% By \$
Loans In AA	46	70%	\$15,247	67%
Loans Out of AA	20	30%	\$7,492	33%
Totals	66	100%	\$22,739	100%

Source: Sample of 66 loans originated from January 1, 2004 to June 30, 2006

A majority of the bank's loans originated within their designated assessment area. We sampled 66 loans in this portion of the CRA examination, focusing on the bank's primary loan products. The bank originated 46 loans, or 70% of the total number sampled, to borrowers within the assessment area. The total dollar volume of loans granted within the AA was 67%.

Lending to Businesses of Different Sizes

The bank's distribution of loans reflects reasonable penetration among businesses of different sizes, given the demographics of the assessment area.

Lending to Business of Different Sizes						
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 (000's)	% of \$ Volume
≤\$1,000,000	73,620	62%	22	48%	\$9,090	60%
>\$1,000,000	8,275	7%	24	52%	\$6,157	40%
Not reported	37,139	31%	0	0%	\$0	0%
Totals	119,054	100%	46	100%	\$15,247	100%

Sources: 1) 2005 Business Geodemographic Data

2) Sample of 46 loans originated within AA from January 1, 2004 to June 30, 2006

Businesses with annual revenues of \$1 million or less are deemed to be small businesses. The percentage of small businesses within the Santa Clara County AA was 62% in 2005, based on 2000 census data.

Our analysis of business loans in this AA indicates the bank's effort to lend to small businesses lags the area business mix. The number of loans to small businesses is significantly below area demographics at 48%. However, the dollar distribution more closely mirrors that of the area demographics at 60%. Although the number of loans is below area demographics, the bank's distribution of loans reflects reasonable penetration due to the limited lending opportunities in the AA, as indicated in the description of the assessment area above.

Geographic Distribution of Loans

Based on our sample, the bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area.

As shown in the tables below, the bank's distribution of business loans by the percentage of number of loans and dollar volume of loans originated in the low- income geographies was 6.5% and 7.0% respectively for the period reviewed. The number and dollar volume of loans in low-income tracts significantly exceeded area demographics.

The bank's distribution of business loans by number of loans and dollar volume of loans originated in moderate-income geographies was 21.7% and 28.5% respectively. The number of loans in moderate-income tracts was reasonably close to the area demographics and dollar volume of loans in moderate-income geographies exceeded area demographics.

Geographic Distribution of Business Loans						
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 (000's)	% of Dollar Volume
Low	3,755	3.15%	3	6.5%	\$1,061	7.0%
Moderate	26,622	22.36%	10	21.7%	\$4,350	28.5%
Middle	51,620	43.36%	21	45.7%	\$6,572	43.1%
Upper	37,057	31.13%	12	26.1%	\$3,264	21.4%
Totals	119,053	100%	46	100%	\$15,247	100%

Source: 2005 Business Geodemographic Data and Sample of 46 loans originated within AA from January 1, 2006 to June 30, 2006

Responses to Complaints

Legacy Bank has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information for the period the bank has been open was performed based on our risk-based assessment of Fair Lending. Based on our analysis of this information, we found no evidence of illegal discrimination or other illegal credit practices.