



## PUBLIC DISCLOSURE

April 23, 2014

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Far East National Bank  
Charter Number: 16407

977 North Broadway, Suite 500 Los Angeles, CA 90012

Office of the Comptroller of the Currency

550 North Brand Boulevard; Suite 500 Glendale, CA 91203-1985

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The major factors that support Far East National Bank's (FENB) rating are as follows:

- The bank's loan-to-deposit ratio is more than reasonable, given its size, financial condition, and business strategy.
- The bank originated a substantial majority of its loans within its delineated assessment areas.
- The borrower distribution of the bank's loans reflects a reasonable penetration of loans to businesses with revenues of \$1 million or less in the bank's primary AA.
- The geographic distribution of the bank's loans reflects an excellent dispersion of loans in low- and moderate-income census tracts in the bank's primary AA.
- The bank provided an excellent level of community development activities, which contributed positively to the overall rating.

## **Scope of Examination**

We performed a full scope evaluation of FENB's Los Angeles County and Alameda County assessment areas (AA). These are designated as the bank's primary and secondary AAs due to the volume of deposits and loans. Limited scope reviews were performed of the Orange County, San Francisco County, and the Santa Clara County AAs.

The lending test includes small business loans originated from January 1, 2012 to December 31, 2013. The bank did not purchase any loans during the review period. Due to regulatory restrictions and economic conditions during this evaluation period, FENB's lending was sharply curtailed. In addition, the bank's mortgage loan program ceased operations in June 2010. Consequently, the bank originated very few commercial or mortgage loans. The bank reported only 47 small loans to businesses and 24 home mortgage loans in all of its AAs during the entire review period. Seventeen of the HMDA loans were originated in the Los Angeles County AA; the majority consisting of multifamily housing loans. Since income data is not collected on multifamily housing loans and there is no geographic comparator, analyses of the borrower and the geographic distribution of these loans is not possible. However, many of these loans are considered in the community development portion of this evaluation since they provide affordable housing for low- and moderate-income (LMI) individuals.

The community development (CD) test includes qualified loans, investments, donations, and services from March 1, 2010 to April 23, 2014.

Prior to this CRA evaluation, we tested the accuracy of FENB's publicly filed information on home mortgage loans and small loans to businesses. The data we reviewed was collected and reported by the bank over the evaluation period. The testing indicated no substantive inaccuracies in the data. Therefore, we concluded that the data could be relied upon for this examination. In addition, CD loans, investments, and services made or rendered during the evaluation period were reviewed to determine their eligibility for consideration. In this review, we included all activities found to meet the definition of CD.

## **Ratings**

For this evaluation, we placed substantial weight on the bank's performance in the Los Angeles County AA because the bank has the greatest presence in this AA. Five of the nine or 56 percent of the bank's branches are in this AA. In addition, 68 percent of the bank's deposits were gathered and 70 percent of the bank's small loans to businesses were originated in the Los Angeles County AA. FENB has only one branch in each of the other AAs; consequently, the bank has only a limited presence in any of the other AAs.

## **Community Contacts**

We communicated with two community contacts, one in the Los Angeles County AA and one in the Alameda County AA. We also reviewed other recent community contacts in order to determine the CD needs in the bank's primary and secondary AAs.

Community contacts in the Los Angeles County AA indicate the predominate needs of the AA are as follows: 1) affordable housing, for both ownership and rental, 2) small business financing, 3) training and technical assistance for entrepreneurs, and 4) financial literacy classes.

Community contacts in the Alameda County AA indicate the predominate needs of the AA are as follows: 1) affordable housing financing (debt/equity), 2) small business financing, 3) support for financial literacy initiatives, 4) neighborhood clean-up activities, and 5) services and programs to assist the homeless.

## **Description of Institution**

Far East National Bank (FENB or the bank) opened in 1974, and is a full-service intra-state bank, headquartered in Los Angeles, California. The bank is owned by SinoPac Bancorp, a California holding company that was incorporated in August 1997 for the sole purpose of acquiring FENB. SinoPac Bancorp is a wholly owned subsidiary of Bank SinoPac of Taiwan. FENB's branches serve its primary markets, which are centered in local Asian communities. Internationally, the bank has one foreign branch in

the Republic of Vietnam and a representative office in China. These operations are small in relation to the U.S. performance. Deposits in the Vietnam branch totaled \$29.8 million as of June 30, 2013, compared to deposits in U.S. branches of \$742.5 million.

The Board of Directors has designated the California counties of Los Angeles, Alameda, Orange, San Francisco, and Santa Clara as the bank's AAs. FENB operates nine full-service branches in these AAs. Branches are located in the cities of Alhambra, Arcadia, City of Industry, Irvine, Los Angeles, Monterey Park, Cupertino, Fremont, and San Francisco.

As of December 31, 2013, FENB reported total assets of \$1.3 billion and net income of \$7 million for a return on average assets of 0.56 percent. The bank's tier one capital totaled \$267.8 million. The bank reported total loans of \$917.3 million, total deposits of \$949.3 million, and total equity capital of \$320.9 million. Total loans represented 69 percent of total assets. As noted below, FENB's primary lending product is commercial real estate. See the following table for details on the composition of the loan portfolio.

<b>Loan Portfolio Summary by Loan Product</b>	
<b>December 31, 2013</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Commercial Real Estate	50%
Commercial and Industrial	36%
Home Loans/HELOCs	11%
Other	3%

Currently, the bank has no financial impediments that would affect its ability to help meet the credit needs of its AAs. However, during the evaluation period, the bank's ability to lend and participate in CD activities in its AAs was impacted by the terms of a formal enforcement action with its primary regulator. The Consent Order, which was in place from March 9, 2010 to August 5, 2013, restricted lending activity and prevented the bank from increasing investments in public welfare instruments.

The bank received a "Satisfactory" rating at the prior CRA examination, which was performed under the Large Bank CRA test on February 28, 2010. Due to a decline in assets, the bank is currently being reviewed under the Intermediate Small Bank CRA test.

## Description of Assessment Areas

### Los Angeles County Assessment Area

The Los Angeles County AA is the bank's primary AA. The bank gathered 68 percent of its deposits and originated 70 percent of its small loans to businesses in this AA. The county is comprised of 2,346 census tracts (CT), and is situated in the Los Angeles-Long Beach-Glendale Metropolitan Division (MD). The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. The following table provides demographic data for the Los Angeles County AA:

Demographic Information for Los Angeles County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,346	8.99	28.64	26.77	34.02	1.58
Population by Geography	9,818,605	8.01	29.43	28.26	33.92	0.39
Owner-Occupied Housing by Geography	1,552,091	2.13	16.61	28.64	52.61	0.01
Business by Geography	882,035	6.40	18.38	25.22	48.79	1.21
Farms by Geography	7,818	3.15	16.67	26.96	52.63	0.59
Family Distribution by Income Level	2,170,227	24.05	16.43	17.64	41.88	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	878,478	13.64	41.84	26.84	17.67	0.01
Median Family Income		61,622	Median Housing Value			526,439
HUD Adjusted Median Family Income for 2013		61,900	Unemployment Rate			8.8%
Households Below Poverty Level		14%	(as of 12/2013)			

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

Source: 2010 US Census

Los Angeles County is a complex, highly diverse urban area that includes 88 cities and a number of unincorporated areas. The county is one of the largest in the nation with over 4,000 square miles and includes San Clemente and the Santa Catalina Islands. The estimated population is 9.8 million based on the 2010 U.S. Census. Los Angeles County has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The county covers 70 miles of coastline along the Pacific Ocean. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. The county holds most of the state's principal cities encompassing the Greater Los Angeles Area.

The banking environment in the AA is highly competitive. The most recent FDIC Deposit Market Share Report dated June 30, 2013, shows 119 institutions operating 1,799 branches. FENB operates five branches and holds a 0.17 percent deposit market share in the AA. The major competing institutions in the AA include Bank of America, N.A.; Wells Fargo Bank, N.A.; Union Bank, N.A.; JPMorgan Chase Bank, N.A.; City

National Bank; and Citibank N.A. These banks collectively hold 67 percent of the deposit market share in the AA.

Los Angeles County has a diverse economic base. The leading industries are state & federal government, restaurants, private household workers, motion picture & video industries, and general medical and surgical hospitals. The current economy reflects employment growth trends in construction, hospitality, business and professional services, and information. International trade is a major driver of the area's economy. The county is the largest manufacturing center in the United States. The seaports and airports support international trade. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The Los Angeles Customs District is the nation's largest and the first U.S. Customs district to surpass \$400 billion in total exports/imports in a single year, with trades of \$404 billion in 2012. The top five employers in Los Angeles County are Kaiser Permanente; University of California, Los Angeles (UCLA); Northrop Grumman Corporation; University of Southern California (USC); Target Corporation; Kroger Company; and Cedar-Sinai Medical Center.

The economy in Los Angeles County showed signs of improvement during the review period. Payrolls increased primarily due to a surge in the restaurant, tourist, and construction industries, as well as film and television production. However, layoffs in technology, manufacturing and local government tempered gains. Nevertheless, the unemployment rate continues to decline, dropping below 10 percent for the first time in over four years. As of December 2013, the county unemployment rate was 8.8 percent. This is slightly above the unemployment rate of 8.3 percent for the State of California as of December 2013.

### **Alameda County Assessment Area**

The Alameda County AA is the bank's secondary AA. FENB gathered 12 percent of its deposits and originated 23 percent of its small loans to business in this AA. In prior evaluation periods, the bank had designated the entire County of Alameda as one of its AAs. In 2013, the bank modified the AA by reducing the number of census tracts (CT) to reflect the area the bank can reasonably service via the Fremont branch location. Bank management considered both distance and geographical impediments to adequately serving the entire county. The CTs that are no longer part the bank's AA are adequately served by numerous other financial institutions, including mega banks that have branches in those areas. The Alameda County AA is situated in the Oakland-Fremont-Hayward Metropolitan Division (MD). The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. The following table provides demographic data for the modified Alameda County AA:

Demographic Information for Alameda County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	126	3.17	23.81	44.44	28.57	0.00
Population by Geography	607,017	3.47	21.97	46.99	27.57	0.00
Owner-Occupied Housing by Geography	121,693	1.31	13.91	49.63	35.14	0.00
Business by Geography	42,542	1.36	17.37	41.62	39.65	0.00
Farms by Geography	508	2.17	19.88	44.88	33.07	0.00
Family Distribution by Income Level	144,432	21.48	17.97	20.48	40.07	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	56,977	5.68	31.53	47.51	15.28	0.00
Median Family Income HUD Adjusted Median Family Income for 2013 Households Below Poverty Level		88,024 89,200 7%	Median Housing Value Unemployment Rate (as of 12/2013)		540,366 6.2%	

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

Source: 2010 US Census

Alameda County is the seventh most populous county in the State of California. The county includes 14 incorporated cities as well as unincorporated communities and rural areas. Alameda County is located in Northern California across the bay from the City of San Francisco. Based on the 2010 U.S. Census, the estimated population of the entire county is 1.5 million and 360 CTs. The modified AA includes 125 CTs with a population of 607 thousand. The Alameda County AA includes the cities or communities of Fremont, Hayward, San Lorenzo, Castro Valley, and Union City. Fremont is the fourth largest city in the San Francisco Bay Area and the 15<sup>th</sup> largest in the State of California.

Fremont and Hayward are home to a growing cluster of clean and green technology firms. Other growing industries are electric vehicle, high-tech and information, and biotechnology. Major employers in the AA are AXT Incorporated, Boston Scientific, Tesla, Seagate, Washington Hospital, Western Digital, AT&T, PG&E, and Interactive Data.

Economic conditions showed signs of improvement during the review period. Technology is the driving force, with the area benefitting from the rise in technology investments and initial public offerings across the Bay Area. The county unemployment rate declined over the past four years. As of December 2013, the county unemployment rate was 6.2 percent compared to 10.7 percent as of December 2009.

## Conclusions with Respect to Performance Tests

### LENDING TEST

FENB’s performance under the Lending Test is rated “Satisfactory”. The bank exceeds the standard for satisfactory performance for two of the tests and meets the standard for the remaining two tests.

#### Loan-to-Deposit Ratio

FENB’s loan-to-deposit (LTD) ratio is more than reasonable. It exceeds the standard for satisfactory performance given the size, financial condition, and credit needs of the AAs. The quarterly average LTD ratio for the previous 16 quarters ending December 31, 2013, was 84 percent. The bank’s average LTD ratio compares favorably to other financial institutions of similar size and location. For this evaluation, we compared six similarly situated banks. The average net LTD ratio for the six banks during the previous 16 quarters was 79 percent.

#### Lending in Assessment Area

FENB granted a substantial majority of the both the number and dollar volume of loans in its AAs. This exceeds the standard for satisfactory performance. The bank originated or purchased 90 percent of the number of loans and 93 percent of the dollar volume of loans in its AAs.

The following table reflects the number, dollar volume, and percentage of HMDA and small loans to businesses that FENB granted inside and outside its delineated AA.

Table 1 - Lending in All FENB’s AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	24	96%	1	4%	25	\$42,383	97%	\$1,378	3%	\$43,761
Small Business	47	87%	7	13%	54	\$29,035	88%	\$3,953	12%	\$32,988
Totals	71	90%	8	10%	79	\$71,418	93%	\$5,331	7%	\$76,749

Source: Data reported under HMDA and CRA (small business) loans.

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

##### Los Angeles County AA

The borrower distribution of small loans to businesses reflects a reasonable penetration of loans to businesses with revenues of \$1 million or less in the Los Angeles County AA. Even though the percentage of loans is below the demographic comparator, we considered contextual issues in our conclusion. These include lending restrictions,



economic factors, and significant competition with other lenders to originate safe and sound business loans during this review period.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Los Angeles County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73%	5%	22%	100%
% of Bank Loans in AA by #	42%	58%	0%	100%
% of Bank Loans in AA by \$	49%	51%	0%	100%

Source: CRA Reported Loans; 2013 Dunn and Bradstreet data

### Alameda County AA

The borrower distribution of loans to businesses reflects poor penetration of loans to businesses with revenues of \$1 million or less. However, the bank was only able to make 11 loans to businesses of any size in the Alameda County AA during the review period. This small volume of loans makes it more difficult to perform a meaningful analysis. Lending restrictions, competition for strong borrowers in the AA, and limited branch staff hampered lending efforts in this AA.

<b>Table 2B - Borrower Distribution of Loans to Businesses in the Alameda County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72%	5%	23%	100%
% of Bank Loans in AA by #	18%	73%	9%	100%
% of Bank Loans in AA by \$	25%	71%	4%	100%

Source: CRA Reported Loans; 2013 Dunn and Bradstreet data.

### Limited Scope AAs

FENB did not originate sufficient small loans to businesses in any of the limited-scope AAs to perform a meaningful analysis. The bank originated four small loans to businesses in Orange County, three in San Francisco County, and three in San Clara County. As noted above, lending restrictions, reduction in staff, competition for safe and sound loans, and a limited presence in these AAs made it difficult to generate loans during the review period.

## **Geographic Distribution of Loans**

### Los Angeles County AA

The geographic distribution of loans in the Los Angeles County AA reflects an excellent dispersion of loans in LMI geographies. The distribution of small loans to businesses in low-income CTs exceeds the demographic comparator, and the distribution of these loans in moderate-income CTs significantly exceeds the demographic comparator as noted in the table below.

Table 3A - Geographic Distribution of Loans to Businesses in the Los Angeles County 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
Small Business	6%	8%	19%	35%	25%	38%	49%	15%

Source: Data collected by bank; U.S. Census data.

Note: 1% of the CTs have no income designation and 4% of loans were made in CTs with no income designation

Alameda County AA

The geographic distribution of small loans to businesses in the Alameda AA reflects poor dispersion of these loans in LMI CTs. However, as noted above, the bank only originated 11 loans in this AA during the review period.

Table 3B - Geographic Distribution of Loans to Businesses the Alameda County 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
Small Business	1%	0%	17%	9%	42%	0%	40%	91%

Source: Data collected by bank; U.S. Census data.

Limited Scope AAs

As noted above, FENB did not originate a sufficient amount of small loans to businesses in any of the limited-scope AAs to perform a meaningful analysis.

**Responses to Complaints**

The bank did not receive any complaints about its performance under the CRA during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

Overall, the bank’s CD performance in its AAs is “Outstanding”. This is based on a very high level of CD loans, a high level of CD investments, and an adequate level of retail and CD services. FENB’s efforts are particularly noteworthy given the restrictions imposed by the Consent Order regarding the bank’s lending and investments. In addition, a decline in employees also limited the bank’s ability to provide CD services, particularly in some of its AAs, which have only one small branch with few employees.

**Number and Amount of Community Development Loans**

Overall, FENB originated 24 qualified CD loans totaling \$38.2 million in its AAs. This represents a very high volume of CD loans. The substantial majority of these loans

helped provide affordable housing for LMI, which is one of the primary CD needs in the AA.

#### Los Angeles County AA

The bank originated 16 CD loans totaling \$16.6 million in the Los Angeles County AA. This represents a high level of CD loans in this AA.

#### Alameda County AA

The bank did not originate any CD loans in the Alameda County AA during the review period. However, the bank originated two CD loans totaling \$10 million, which benefit a broader regional area including the Alameda County AA.

#### Limited Scope AAs

The bank's performance in the Orange County, Santa Clara County, and San Francisco County AAs is stronger than the bank's performance in both the Los Angeles County and Alameda County AAs. The bank originated a very high level of CD loans in all of these AAs.

### **Number and Amount of Qualified Investments**

The bank made 55 qualified investments/donations totaling \$17.5 million. This represents a high level of CD investments. The majority of the investments are prior period investments, since the bank was restricted from making investments during most of the review period. Prior period investments represent \$17.2 million. Investments include mortgage-backed securities, low income housing tax credits, and public welfare equity funds. The donations were provided to organizations that provide home and educational opportunities for abused and abandoned girls, free legal services to LMI individuals, health and educational services to underserved children, affordable housing options for LMI individuals, economic development, and vitality of LMI areas.

#### Los Angeles County AA

FENB reported 31 investments totaling \$5.8 million. This includes over \$5.7 million in investments and nearly \$61 thousand in donations. This represents a high level of investments in this AA.

#### Alameda County AA

The bank has four investments totaling \$2.2 million in the Alameda County AA. This represents a high level of investments in this AA.

#### Limited Scope AAs

FENB's performance in the Orange County, Santa Clara County, and San Francisco County AAs is stronger than the bank's performance in both of the full scope AAs. The bank has a very high level of investments in all of the limited scope AAs.

### Broader Statewide Area

FENB also has five investments totaling \$3.1 million that benefit a greater statewide area with the potential to benefit the bank's AAs.

### **Extent to Which the Bank Provides Community Development Services**

FENB's CD services program demonstrates adequate responsiveness to the needs within the AAs. We evaluated both the bank's retail banking services and community development services.

#### ***Retail Banking Services***

The distribution of the bank's branches and service delivery systems are satisfactory and accessible to individuals of different income levels within the AAs. The bank has nine branch locations, with only the Alhambra and Los Angeles branch locations offering safe deposit box services. All branch locations provide ATM services, with the exception of the San Francisco branch. Of the nine branch locations, one-third are located in LMI geographies; two branches are located in low-income CT; and one branch is located in a moderate-income CT. Branch hours are convenient to individuals. Additionally, the bank offers 24-hour internet banking services. During the evaluation period, FENB closed the Pasadena and San Jose branches; neither of these branches was located in a low- or moderate-income CT. Additionally, the San Francisco branch was relocated, but remains in close proximity to the prior location.

#### ***Community Development Services***

The bank's provision of CD services reflects an adequate responsiveness to the CD needs within the AA. Bank employees provided 403 hours to 28 CD organizations. A sample of the CD services includes providing financial literacy education programs, providing financial expertise as active board members of CD organizations, and fundraising for CD organizations.

### Los Angeles County AA

FENB provided 306 hours of CD services to 19 organizations in the Los Angeles County AA. This represents an adequate level of CD services.

### Alameda County AA

The bank provided eight hours of qualified CD services to one CD organization. Although the level is low, this level of services is adequate considering the low number of branch employees in this AA.

### Limited Scope AAs

The bank's performance in the Orange County, Santa Clara County, and San Francisco County AAs is consistent with its performance in its full scope AAs.

### **Responsiveness to Community Development Needs**

Overall, FENB demonstrated an excellent responsiveness to the CD needs in the AAs through CD lending, investments, and services. The bank's CD loans and investments focused primarily on affordable housing, which is a stated need in all of the bank's AAs. In addition, bank employees engaged in financial literacy programs and provided their financial expertise as board members. As noted by the community contacts that we interviewed, financial literacy is also a significant CD need in the bank's AAs. CD organizations note that these volunteer efforts are critical to the well-being of CD organizations, particularly during difficult economic times, when the number of volunteers dwindles.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.