



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 03, 2011**

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

Eastside Commercial Bank, National Association  
Charter Number 24180

13810 SE Eastgate Way, Bldg. 1, Suite 410  
Bellevue, WA 98005-0000

Office of the 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 CRA RATING: This institution is rated Satisfactory.**

Eastside Commercial Bank, National Association (ECBNA) satisfactorily meets the credit needs of its assessment area, including low- and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- ECBNA's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the community.
- The bank's lending in the assessment area (AA) meets the standard for satisfactory performance. The majority of the bank's business loans made were within the bank's AA.
- The bank's distribution of loans to businesses of different sizes reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes.
- The bank's geographic distribution of loans is significantly below area demographics.
- There have been no written complaints regarding the bank's performance in meeting its community's credit needs.

**SCOPE OF EXAMINATION**

We evaluated the bank's performance based on loans originated from January 1, 2009 through December 31, 2010. We focused our evaluation on the bank's primary product lines, commercial real estate, construction, and commercial loans (grouped under the title "business loans") originated since the last CRA examination. We selected all 43 business loans originated in 2009 and 2010 in order to review the bank's lending in its assessment areas.

**DESCRIPTION OF INSTITUTION**

ECBNA is a community-focused commercial and retail bank located in the city of Bellevue, Washington. As of September 30, 2010, the bank had assets of \$54 million and net loans totaling \$35 million. The percentage of net loans to total assets is 65%. The bank opened for service April 3, 2002, and is located in an upper income tract.

ECB is a full-service community bank offering a variety of commercial and retail banking products and services such as working capital loans and lines of credit to businesses, equipment loans, real estate term loans, and other term loans. Consumer credit products include installment loans, credit cards, personal lines of credit, and home improvement and rehabilitation loans.

Deposit products available to ECB customers include individual and business checking

accounts, interest bearing checking accounts, and money market accounts. Alternate delivery systems include online banking, which is available to customers at no charge, VISA check cards (to access individual and business accounts), telephone banking, and night drop services.

The bank's ability to lend has been impacted by poor economic conditions and resources and strategies devoted to complying with an Agreement with the Office of the Comptroller of the Currency. The bank's CRA performance was previously evaluated on April 25, 2005, and found to be **satisfactory**.

Table 1 lists the outstanding balance of the bank's major loan products as of September 30, 2010.

Table 1

ECBNA'S LOAN PORTFOLIO COMPOSITION		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial Loans	30,461.2	86%
Residential Real Estate	4,250.4	12%
Other	708.4	2%
<b>Total Loans</b>	<b>35,420.0</b>	<b>100%</b>

Call Report as of 9/30/10

***Please refer to the bank's CRA public file for more information about the institution.***

## DESCRIPTION OF ASSESSMENT AREA(S)

The bank's AA consists of a portion of the Seattle-Bellevue-Everett Metropolitan Statistical Area (MSA) 42660 (King County). There are 306 census tracts within the AA; 2% are low-income, 20% are moderate-income, 49% are middle-income tracts, and 29% upper-income tracts. The updated 2010 U.S. Department of Housing and Urban Development (HUD) MSA median family income for the AA is \$84,300. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts.

Table 2

KING COUNTY AA COMPOSITION INCOME CHARACTERISTICS OF CENSUS TRACTS, BUSINESSES AND FAMILIES						
Income of Census Tract	# and % of Census Tracts		# and % of Businesses		# and % of Families	
Low Income	6	1.96%	2,310	1.51%	4,289	1.26%
Moderate Income	61	19.94%	35,011	22.93%	60,796	17.84%
Middle Income	149	48.69%	67,142	43.98%	168,975	49.57%
Upper Income	90	29.41%	48,211	31.58%	106,798	31.33%
N/A	0	0.00%	0	0.00%	0	0%
<b>Total:</b>	<b>306</b>	<b>100%</b>	<b>152,674</b>	<b>100%</b>	<b>340,858</b>	<b>100%</b>

Source: 2010 Dun & Bradstreet

Major employment sectors in the assessment area include services and retail. The high tech sector continues to drive employment growth with Microsoft, T-Mobile, Northwest Labs, and Expedia all having large offices in the AA. Employment growth has been negative the last couple years, but recovery in this area is expected in the near future. The local unemployment rate is below the national average, however, at 9.1% compared to the national average of 9.8%, (both as of November 2010).

ECBNA faces strong competition with 51 banks operating within the assessment area. ECBNA ranks 39<sup>th</sup> in deposit market share at 0.11%. The five largest banks hold a total of 72.84% of the deposit market share. The competing institutions include: Bank of America, Wells Fargo, Keybank, and JP Morgan Chase.

In conjunction with this CRA examination, we conducted a community contact interview. Community contacts are interviewed to learn about credit opportunities within the community and how well financial institutions address the credit and service needs of the community. The contact for this examination included a representative from a local government office. The contact indicated a need for increased lending to small business, but noted that small businesses are still struggling. The contact also expressed a need for affordable housing. In addition, the contact stated that Bellevue is a very wealthy community, which can make lending difficult for small community banks.

*Please refer to the bank's CRA public file for more information about the assessment area.*

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

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

ECBNA's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the community. We looked at one similar institution and found an average quarterly LTD ratio of 89.19%. ECBNA's average LTD ratio is 90.96%. The assets of the peer bank were \$208 million, and it was located in a similar market. Average LTD ratios were computed over the last 23 quarters (March 2005 to September 2010).

### **Lending in Assessment Area**

The majority of the bank's lending activity was inside of the bank's AA.

ECBNA Lending in AA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Business Loans	28	65.12%	15	34.88%	4,486,316	52.66%	4,033,213	47.34%
<b>Totals</b>	<b>28</b>	<b>65.12%</b>	<b>15</b>	<b>34.88%</b>	<b>4,486,316</b>	<b>52.66%</b>	<b>4,033,213</b>	<b>47.34%</b>

Source: All new business loans originated from January 1, 2009 to December 31, 2010

Our review included all 43 business loans that the bank originated in 2009 and 2010. Of these loans, 28 or 65.12% of the number of loans to borrowers were within their AA. Based on the dollar volume of loans, the inside ratio was 52.66%.

### Lending to Businesses of Different Sizes

The bank’s distribution of loans to businesses of different sizes reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes.

Table 4

Income Distribution of Loans to Businesses in the King County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.54%	5.78%	17.68%	100%
% of Bank Loans in AA by #	67.86%	32.14%	0.00%	100%
% of Bank Loans in AA by \$	70.52%	29.48%	0.00%	100%

Demographic Data Source: 2009 Business Geodemographic Data.

The percentage of businesses with revenues of less than or equal to \$1,000,000 within the King County AA is 76.54% with 71.40% of businesses with revenues of less than \$500,000. The bank originated 67.86% of their loans by number and 70.52% of their loans by dollar volume to these businesses. These percentages indicate the bank’s efforts to lend to businesses with revenues of less than or equal to \$1,000,000 are close to area demographics. Our analysis found that these results indicate the bank’s commitment to addressing the community credit needs of businesses with revenues less than \$1 million. Refer to the table above for details.

### Geographic Distribution of Loans

Based on our review, the bank's geographic distribution of loans is significantly below area demographics. The bank was not able to penetrate all census tracts within their AA. However, there were no conspicuous gaps in the bank's distribution of loans.

As shown in the table below, the bank’s distribution of business loans by the percentage of number of loans originated in the low-income geographies was 0.0% and in the moderate-income geographies was 10.71%. While the number and dollar volume of loans in this geography was significantly below the area demographics, the bank is

making an effort to meet the credit needs of these businesses. Due to the bank’s size, lending is constrained and it cannot compete with the products offered by the larger institutions within the AA.

Table 5

<b>Geographic Distribution of Loans to Businesses in the King County AA</b>												
Census Tract Income Level	Low			Moderate			Middle			Upper		
Loan Type	% of AA Busi-nesses	% of Loans By #	% Loans by \$ Amt	% of AA Busi-nesses	% of Loans By #	% Loans by \$ Amt	% of AA Busi-nesses	% of Loans By #	% Loans by \$ Amt	% of AA Busi-nesses	% of Loans By #	% Loans by \$ Amt
Business Loans	1.51	0	0	22.93	10.71	13.89	43.98	46.43	48.37	31.58	42.86	37.74

*Demographic Data Source: 2009 Business Geodemographic Data*

### **Responses to Complaints**

No written complaints concerning ECBNA’s CRA performance have been received since the bank’s previous CRA exam dated April 25, 2005.

### **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.