



**Comptroller of the Currency
Administrator of National Banks**

SMALL BANK

PUBLIC DISCLOSURE

March 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**LOS ANGELES NATIONAL BANK
Charter Number 16240**

**7025 Orangethorpe Avenue
Buena Park, California 90621**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Los Angeles National Bank**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of March 8, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution's *Record of Meeting Community Needs* is rated "**Satisfactory.**" The rating is based on the following conclusions:

- The loan to deposit ratio is comparable with similar banks in Southern California.
- The majority of loan originations are within the bank's assessment area.
- The bank lends to businesses of different sizes.
- Lending patterns reasonably reflect the local demographics.

DESCRIPTION OF INSTITUTION:

Los Angeles National Bank is an independently owned full-service commercial bank headquartered in Buena Park, California. The bank provides community access to credit by maintaining three branches within its assessment area: the main office in Orange County and the Silverlake and Monterey Park branches in Los Angeles County. There is an automatic teller machine at the Buena Park and Monterey Park branches.

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, 1998, the bank reported total assets of \$131 million, 62% of which consist of loans. The primary lending focus is business and commercial real estate lending. The following chart reflects the current loan portfolio by major product type.

LOANS BY MAJOR PRODUCT TYPE - As of December 31, 1998

LOAN TYPE	DOLLAR AMOUNT	% OF TOTAL LOANS
Commercial and Commercial Real Estate	75,362,380	92%
Small Business Administration (SBA) Loans	2,443,405	3%
Consumer Loans	2,167,134	3%
Construction	1,830,168	2%
TOTAL LOANS:	81,803,087	100%

The last CRA performance examination in June 1996 rated the bank as "Satisfactory."

DESCRIPTION OF LOS ANGELES NATIONAL BANK'S ASSESSMENT AREA:

Los Angeles National Bank (LANB) has an assessment area that consists of contiguous portions of two adjacent Metropolitan Statistical Areas (MSA). The *Los Angeles County area* includes 451 of 1,652 census tracts that comprise the Los Angeles-Long Beach MSA 4480. The *Orange County area* includes 151 of 484 census tracts that comprise the Orange County MSA 5945. The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. A description of the Los Angeles County area and the Orange County area follows.

**LOS ANGELES COUNTY AREA
DEMOGRAPHIC DATA**

Census Tract Income Level	Number	Percent	Families Percent	Total Businesses Percent
Low	58	13%	27%	24%
Moderate	144	32%	19%	29%
Middle	156	35%	21%	32%
Upper	91	20%	33%	15%
NA	2	NA	NA	NA
Total	451	100%	100%	100%

[Note: The two census tracts for which there is no reported income consist mainly of the downtown Los Angeles Civic Center and the Rancho Los Amigos Medical Center.]

The population of the *Los Angeles County area* is approximately 2,613,236. The 1998 updated median family income is \$49,800 according to the U.S. Department of Housing and Urban Development. Median housing value is \$206,647 based on 1990 U.S. Census data. Thirty cities are located entirely, or in part, within the defined area. The area economy is centered in health services, financial and managerial services, retail and wholesale trade, and durable goods manufacturing. Small businesses with annual revenue less than \$1 million represent the majority of businesses in the defined area.

**ORANGE COUNTY AREA
DEMOGRAPHIC DATA**

Census Tract Income Level	Number	Percent	Families Percent	Total Businesses Percent
Low	3	2%	24%	2%
Moderate	58	38%	22%	47%
Middle	79	52%	26%	46%
Upper	11	8%	28%	5%

Total	151	100%	100%	100%
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The population of the *Orange County area* is approximately 725,329. The 1998 updated median family income is \$65,800 according to the U.S. Department of Housing and Urban Development. Median housing value is \$211,497 based on 1990 U. S. Census data. Seven cities are located within the defined area. The local economy is centered in retail and wholesale trade, health services, and manufacturing. Small businesses with annual revenue less than \$1 million represent the majority of businesses in the area.

The Southern California economy is strong, although weak foreign demand has signaled an economic slowdown. Global economic problems, and specifically the Asian crisis, have not had as adverse an impact on the local economy as originally predicted. Economists now predict growth over the next year in local employment, personal income, taxable sales, and new construction, although growth is predicted to be slower than during 1998. If Asia recovers soon, as economists expect, the local area should experience faster growth in the following four years. For example, new jobs should grow by 25,000 in 1999, and then by 164,000 over the next five years. To meet the demand for new workers, 14,000 houses and apartments will need to be constructed annually. Gross product should expand locally by 5 percent in 1999, marking the sixth consecutive boom year. Despite the robust local economy, area businesses remain poised to preserve profit margins through production efficiencies and tightened capital spending.

Numerous financial institutions serve Los Angeles National Bank's assessment area, resulting in strong competition for market share. These include branches of large banks, community banks, and savings and loan associations. We contacted two economic development agencies and a small business development corporation to assess area credit needs. They reported that there is an ongoing need for small loans with flexible underwriting criteria for small businesses. Because of the strong local economy, there is also an increasing need for technical support to assist small business owners with expanding their businesses and with obtaining commercial loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's commitment to the Community Reinvestment Act is reflected in the performance criteria explained below.

Loan to deposit ratio

The bank's loan to deposit ratio meets the standards for satisfactory performance. The average quarterly loan to deposit ratio since the last CRA examination is 67%, which is comparable to the performance of other local financial institutions with total assets of less than \$150 million. Their average ratio for the same period is 69%. Favorably, the bank's ratio ranged upward from 62% in June 1996 to a high of 73% in September 1998 and was 69% in December 1998. The average ratio of other local banks ranged from 65% in June 1996 to a high of 78% in September 1997 and was 63% in December 1998.

Lending in assessment area

The bank's lending in the assessment area meets the standards for satisfactory performance. The bank originated a majority of the *dollar volume* and the *number* of loans within its assessment area. We prepared this analysis based on the bank's data, which we tested for accuracy. The chart that follows reflects all loan originations since the last examination.

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA LOAN ORIGINATIONS FROM JUNE 1996 THROUGH DECEMBER 1998

	# Loans	% Loans by #	\$ Loans	% Loans by \$
In Assessment Area	364	70%	56,489,246	70%
Out Of Area	155	30%	24,436,373	30%
Total	519	100%	80,925,619	100%

Lending to borrowers of different income levels and to businesses of different sizes

Lending to businesses of different sizes in both the Los Angeles and Orange County areas meets the standard for satisfactory performance. Business lending in both areas is reasonably distributed among businesses of different revenue size. For this analysis, we randomly sampled 20 commercial loans originated in the Los Angeles County area since the last examination. The sample represents 11% of the number of loans and 10% of the dollar amount originated in that area during the review period. We also sampled 20 commercial loans in the Orange County area. The sample represents 57% of the number of loans and 45% of the dollar amount originated in that area.

Because the bank is primarily a business lender, we sampled commercial loans since they constitute a substantial majority of the loan portfolio. We did not sample consumer loans because they did not constitute a significant volume of loan originations. Lending to businesses by revenue size is reflected in the charts that follow.

LENDING TO BUSINESSES OF DIFFERENT SIZES
LOS ANGELES COUNTY AREA
Commercial Loans
Distribution By Annual Revenue
FROM JUNE 1996 THROUGH DECEMBER 1998

Revenue Size	Number of Loans	Percent	Dollar Amount(\$000)	Percent
\$0 - \$50,000	4	20%	1,182	27%
\$50,001 - \$100,000	3	15%	440	10%
\$100,001 - \$250,000	2	10%	448	10%
\$250,001 - \$500,000	4	20%	1,363	32%
\$500,001 - \$1,000,000	5	25%	693	16%
Greater than \$1,000,000	2	10%	200	5%
Total in Sample	20	100%	4,326	100%

LENDING TO BUSINESSES OF DIFFERENT SIZES
ORANGE COUNTY AREA
Commercial Loans
Distribution By Annual Revenue
FROM JUNE 1996 THROUGH DECEMBER 1998

Revenue Size	Number of Loans	Percent	Dollar Amount(\$000)	Percent
\$0 - \$50,000	4	20%	157	6%
\$50,001 - \$100,000	3	15%	285	12%
\$100,001 - \$250,000	4	20%	195	8%
\$250,001 - \$500,000	4	20%	622	25%
\$500,001 - \$1,000,000	2	10%	629	26%
Greater than \$1,000,000	3	15%	550	23%

Total in Sample	20	100%	2,438	100%
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Investment in a local community development corporation (CDC) enhances the bank's record of business lending in the community. The CDC pools loan funds from participating financial institutions. Loans are then granted from the pooled funds using flexible underwriting criteria to assist local small businesses that might not otherwise qualify for credit.

The bank has invested \$75,000 in CDC capital since the last CRA examination and has participated in 21 loan originations. Its participating share in those loans was \$38,000. Loans are extended throughout Orange County, but special emphasis is placed on lending in low- and moderate-income areas. Bank senior management helped organize the CDC at its inception and provides ongoing support by serving on the loan committee and providing technical expertise.

Geographic distribution of loans

The geographic distribution of loans meets the standard for satisfactory performance. Lending activity reasonably reflects area business demographics. We randomly sampled 20 commercial loans originated in the Los Angeles County area since the last examination. The sample represents 11% of the number of loans and 10% of the dollar amount originated in that area during the review period. We also sampled 20 commercial loans in the Orange County area. The sample represents 57% of the number of loans and 45% of the dollar amount originated in that area.

The distribution of loans in the Los Angeles County area is weighted more heavily because it represents the majority of the bank's loan customers. Lending activity compares very favorably with area demographics. While 29% of businesses are located in moderate-income tracts, the bank originated 45% of the number of loans and 51% of the dollar volume in those tracts. Also, 24% of area businesses are located in low-income census tracts, and the bank originated 30% of the number of loans and 22% of the dollar volume in those tracts.

Performance in moderate-income tracts in the Orange County area reflects the local demographics. While 47% of area businesses are located in moderate-income tracts, the bank originated 40% of the number of loans and 51% of the dollar volume in those tracts. The bank has no loans in its three low income census tracts, but this is reasonably explained. There are no loans in one of the tracts because it was added to the assessment area in late 1998. However, the bank plans to expand its outreach in this tract in the near future. The second of the three low-income tracts consists mainly of railroad yards, industrial warehousing, and a reservoir. The third tract is 10 miles east of the bank's Buena Park office and consists mainly of low-income single family residences and apartments. We verified that credit services for this low-income community are more readily accessed at other financial institutions that are located within a two-mile radius.

The distribution of commercial loans compared with the local demographics for the Los Angeles County area and for the Orange County area is reflected in the charts which follow.

**DISTRIBUTION OF COMMERCIAL LOANS BY CENSUS TRACT INCOME LEVEL
LOS ANGELES COUNTY AREA
FROM JUNE 1996 THROUGH DECEMBER 1998**

Census Tract Income Level	Percent of Businesses in Tract Category	Number of Loans	Percent of Number	Dollar Amount (\$000)	Percent of Dollar Amount
Low	24%	6	30%	932	22%
Moderate	29%	9	45%	2,209	51%
Middle	32%	3	15%	837	19%
Upper	15%	2	10%	348	8%
Total	100%	20	100%	4,326	100%

**DISTRIBUTION OF COMMERCIAL LOANS BY CENSUS TRACT INCOME LEVEL
ORANGE COUNTY AREA
FROM JUNE 1996 THROUGH DECEMBER 1998**

Census Tract Income Level	Percent of Businesses in Tract Category	Number of Loans	Percent of Number	Dollar Amount (\$000)	Percent of Dollar Amount
Low	2%	-0-	-0-	-0-	-0-
Moderate	47%	8	40%	1,252	51%
Middle	46%	10	50%	507	21%
Upper	5%	2	10%	679	28%
Total	100%	20	100%	2,438	100%

Responses to complaints

The bank has received no CRA-related complaints since the last CRA performance evaluation.

Fair lending analysis

The bank is in compliance with fair lending laws and regulations. Our fair lending review, conducted concurrently with this examination, found no unusual patterns or discriminatory lending practices.