



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 12, 2010**

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

Bank of Manhattan, National Association  
Charter Number 24754

2141 Rosecrans Avenue  
El Segundo, CA 90245

Office of the Comptroller of the Currency  
Southern California North Field Office  
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 following factors support this rating:

- The loan-to-deposit ratio is more than reasonable when compared to peer.
- A substantial majority of the bank's loans are within its assessment area.
- The bank meets the standard for satisfactory performance in lending to different geographies within its assessment area.
- The bank does not meet the standard for satisfactory performance in lending to businesses of different sizes. \*

\* Note: The bank's performance for lending to businesses with revenues of less than \$1 million dollars was below the demographics for number of small businesses within the assessment area. While the bank's performance was below demographic data, the majority of the bank's business loans, 57 percent, were made to small businesses. From our sample, 25 percent of loans to businesses with revenues greater than \$1 million were located in moderate-income level tracts; this exceeds geographic demographics for lending to moderate-income level tracts. In addition, a majority of the loans made to large businesses, 75 percent, were located in the assessment area.

**SCOPE OF EXAMINATION**

We evaluated the bank's performance based on loans originated from August 1, 2007 to December 31, 2009. We focused our evaluation on commercial and industrial business loans, as this is the largest category of loans originated by the bank. We evaluated a sample of 20 loans. The bank has not originated or purchased any Home Mortgage Disclosure Act reportable loans.

**DESCRIPTION OF INSTITUTION**

Bank of Manhattan, N.A. (Bank of Manhattan or the bank) is a de novo institution that began operations in 2007. The bank's one branch is located in El Segundo, California, which is within Los Angeles County. The bank offers traditional banking products and services, but does not own or operate any automatic teller machines.

As of December 31, 2009, Bank of Manhattan reported total assets of \$152 million, of which \$73 million or 69 percent were centered in loans. Approximately 60 percent of the bank's loans are in amounts of \$1 million or less, with the majority commercial and industrial business loans.

The bank's loan portfolio was distributed as follows: \$26 million (36 percent of total loans) commercial real estate, \$19 million (26 percent of total loans) commercial and industrial, \$12 million (16 percent of total loans) multi-family residential, \$8 million (11 percent of total loans) 1-4 family residential, and \$8 million (11 percent of total loans) in other loan products. The bank originated consumer loans; however, the number is not significant enough to provide any conclusions about its Community Reinvestment Act performance.

By dollar amount, the bank's primary loan type is commercial real estate; however, by number, the bank's primary loan type is commercial and industrial business loans. The bank originated 85 (47 percent) commercial and industrial business loans and 29 (16 percent) commercial real estate loans. As the bank is a small business loan lender and the majority of small business loans were commercial and industrial loans, we will consider the bank's primary loan type to be commercial and industrial loans.

The bank has no financial or legal impediments that would affect its ability to meet the credit needs of its assessment area. This is the bank's first CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

### **Los Angeles-Long Beach Metropolitan Statistical Area**

Bank of Manhattan's assessment area meets the requirements of the regulation. It does not arbitrarily exclude low- and moderate-income geographies. The assessment area contains 218 contiguous census tracts, of which only two are low-income and 41 are moderate-income.

Bank of Manhattan has defined its assessment area as the western portion of Los Angeles County. West Los Angeles cities are located along the Pacific Ocean and include Redondo Beach, Palos Verdes, Rolling Hills Estates, Manhattan Beach, Santa Monica, Inglewood, and Torrance.

Bank of Manhattan's assessment area is part of Los Angeles County, which is a highly diverse urban area that includes 88 cities and a number of unincorporated areas. Los Angeles County is the largest and fastest growing metropolitan region in the entire country. Refer to Table 1 below for details.

Table 1

<b>Bank of Manhattan's Assessment Area Demographic Information</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	218	0.9	18.8	24.8	55.1	0.5
Population by Geography	1,002,519	0.6	20.9	27.4	51.1	0
Owner-Occupied Housing by Geography	184,779	0.1	8.5	21.8	69.7	0
Small Businesses by Geography	94,037	0.4	15.6	23.1	59.5	1.4
Large Businesses by Geography	6,163	0.4	19.6	26.7	48.5	4.8
Family Distribution by Income Level	240,326	0.6	19.1	26.6	53.7	0
Distribution of Low and Moderate Income families throughout AA Geographies	74,272	1.6	36.6	32.7	29.1	0
Median Family Income = \$65,057 HUD Adjusted Median Family Income = \$62,100 Households below the poverty level = 10.29%			Median Housing Value = \$318,133 Unemployment Rate (2009) = 11.6%			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000. Census, and 2009 HUD, updated Median Family Income, Bureau of Labor Statistics, and National Association of Realtors-1Q2009.

The major industries that contribute to employment are diverse and are concentrated in wholesale and retail trade, manufacturing, government, financial service, tourism, transportation, utilities and construction. The largest employers are Kaiser Permanente, Northrop Grumman, The Boeing Company, The Kroger Company and the University of Southern California.

Additionally, the combined Ports of Los Angeles and Long Beach rank first in the nation in volume. Los Angeles airport, located only a few miles north of El Segundo is one of the country's busiest international airports.

The recent economic downturn has had a significant impact on Los Angeles County. Since 2003, payroll employment growth dropped from 2 percent to -6 percent. Annual unemployment in 2009 was 11.6 percent in Los Angeles County, while the US unemployment rate was 9.3 percent. California experienced dramatic decreases in home values, as the volume of foreclosures increased and the overall economy slipped into recession. Los Angeles County experienced the largest amount of foreclosures in California. Even with the flattening of prices, home ownership remains out of reach for many moderate-income families. Sales of homes decreased 29 percent from 2007 to 2008. Most homes sold have been through foreclosure.

Banking competition is strong within the Los Angeles area and within Bank of Manhattan’s assessment area. A significant number of large and regional commercial banks, savings associations, credit unions, credit card companies, and non-bank institutional investors compete for the available commercial lending business. Other non-bank financial institutions also compete for deposit accounts. The bank’s major competitors include Bay Cities National Bank, Beach Business Bank, Bank of America N.A., Wells Fargo, City National Bank, California Bank & Trust, Citizens Business Bank, Citibank, First California Bank, JP Morgan Chase Bank, NA, OneWest Bank, Union Bank, and US Bank.

Community contacts indicate there are significant credit and community development needs. There is a strong need for foreclosure prevention counseling, as many individuals in the community have lost their residences to foreclosure. Other needs include affordable rental and owner-occupied housing. Also, there is a significant need for technical assistance and financing for small businesses, including a need for more SBA 504 financing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's average loan to deposit ratio (LTD) is more than reasonable. The bank’s average LTD for the 11 quarters ended December 31, 2009, was 93 percent. This is above the average of four similarly situated banks, which had an average ratio of 88 percent over the same period. For purposes of this examination, we considered similarly situated banks to mean banks with similar products and servicing the same market as Bank of Manhattan.

### Lending in Assessment Area

The level of lending inside Bank of Manhattan’s assessment area exceeds the standard for satisfactory performance.

The bank approved a substantial majority of its loans within its assessment area. Refer to Table 2 below for details.

Table 2

Assessment Area	Total Loans By Number And Dollar	Total Loans Originated Within Assessment Area	Percent of Total Loans Originated within Assessment Area
West Los Angeles	20	16	80%
	\$7,574,000	\$6,556,000	87%

Source: Bank data.

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

The bank's overall lending within the assessment area does not meet the standard for satisfactory performance.

Bank of Manhattan originated 9 of the 16 sampled loans in the assessment area, or 56 percent of business loans, to businesses with revenues of \$1 million or less. While the majority of the bank's business loans are to small businesses, the numbers are not consistent with geographic data. In the assessment area, small businesses represent 74 percent of total businesses. Refer to Table 3 below for details.

Table 3

Revenues	Business in Assessment Area		Loans Originated		Number Loans Originated	
	# of Businesses	% of Businesses	Dollars	% of Dollars	Numbers	% of Numbers
<\$1,000,000	94,037	74%	\$3,006,000	46%	9	56%
>\$1,000,000	6,163	5%	\$3,300,000	50%	6	38%
N/A	26,717	21%	\$250,000	4%	1	6%
<b>Total</b>	<b>126,917</b>	<b>100%</b>	<b>\$6,556,000</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Dun and Bradstreet, Bank data. N/A refers to businesses that did not report income.

### Geographic Distribution of Loans

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

Bank of Manhattan originated no loans in the low-income census tracts. This is reasonable as the percentage of business in low-income tracts is below one, and there are only two low-income census tracts in the assessment area that are both a distance from the bank. The volume of lending in the moderate-income areas is satisfactory compared to the percentage of businesses located in those census tracts. The bank originated 31 percent of its loans by dollar amount and 13 percent by number to businesses in moderate-income tracts. Area demographics indicate 16 percent of businesses are located in moderate-income areas. Refer to Table 4 below for details.

Table 4

Tract Income Type	Business in Assessment Area		Loans Originated		Number of Loans Originated	
	# of Businesses	% of Businesses	Dollars	% of Dollars	Numbers	% of Numbers
Low	517	0.41%	\$0	0%	0	0%
Moderate	20,631	16.26%	\$2,000,000	31%	2	13%
Middle	29,359	23.13%	\$0	0%	0	0%
Upper	74,054	58.35%	\$4,056,000	62%	12	75%
Unknown	2,356	1.86%	\$500,000	8%	2	13%
<b>Total</b>	<b>126,917</b>	<b>100%</b>	<b>\$6,556,000</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Dun and Bradstreet, Bank data.

### **Responses to Complaints**

There were no complaints associated with the bank's performance under the provisions of the CRA.

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

We found no evidence of discriminatory or other illegal credit practices.