



## **PUBLIC DISCLOSURE**

August 12, 2013

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

Saigon National Bank  
Charter Number 24577

15606 Brookhurst Street, Suite C  
Westminster, CA 92683-7582

Office of the Comptroller of the Currency

1551 North Tustin Avenue  
Suite 1050  
Santa Ana, CA 92705

**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 major factors that support this rating include:

- The bank’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size and performance context.
- A substantial majority of the bank’s lending activity is within its delineated assessment areas (AAs).
- The bank’s distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics.
- The geographic distribution of business loans reflects excellent dispersion throughout the AAs compared to area demographics.

## **SCOPE OF EXAMINATION**

This Performance Evaluation (PE) assesses Saigon National Bank’s Community Reinvestment Act (CRA) performance using the lending test criteria for small bank examinations. We performed a full-scope examination of the bank’s assessment areas. We analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2008, and December 31, 2011, as this is representative of the bank’s lending strategy since the previous CRA examination. We focused our review on commercial loans because they represent the major portion of the bank’s lending activity.

## **DESCRIPTION OF INSTITUTION**

Saigon National Bank (SNB or the bank) is an independently owned, full-service community bank headquartered in Westminster, California. The bank opened in November 2005, and has been devoted to serving the financial needs of the Vietnamese community located in southern California. The bank is a federally designated “Minority Deposit Institution.” This enables other financial institutions to make qualified CRA Community Development investments through deposits placed at SNB.

SNB operates one full-service branch located in the “Little Saigon” area of Westminster, California, in a middle-income census tract. The area is a heavily populated, Vietnamese-speaking community within Orange County, California. The bank did not open or close any branches during the evaluation period.

The bank offers a variety of traditional lending products to meet the credit needs of its community, with an emphasis on commercial real estate lending. Additionally, SNB offers various deposit and account services through its branch location and online services. Business hours are Monday through Friday 9:00am – 5:00pm and Saturday

9:00am – 1:00pm. The bank provides customers with 24-hour access to account information via the bank’s internet banking services. Online services include account information, bill pay, and funds transfer. The bank does not maintain an automatic teller machine (ATM). However, the bank waives various ATM surcharge fees from other financial institutions.

As of March 31, 2013, SNB reported total assets of \$50 million, total loans of \$29 million, total deposits of \$38 million, and total equity capital of \$8.3 million. The following chart summarizes the loan portfolio by major loan type.

<b>Saigon National Bank Loan Portfolio Outstanding Balances by Major Product Type As of March 31, 2013</b>		
Loan Type	(000's)	Percent
Commercial Real Estate	21,689	74.9
Commercial-Industrial	4,373	15.1
Multifamily Residential RE	1,994	6.9
1-4 Family Residential RE	884	3.0
Consumer	20	0.1
Total	\$28,960	100%

During part of the evaluation period, the Bank operated under a formal enforcement action relating to safety and soundness concerns. The enforcement action required time, staff effort, and financial resources to correct certain deficiencies. We took these factors into account when reaching our conclusions concerning the bank’s CRA performance.

SNB received a “Satisfactory” rating under the “Small Bank” rating criteria at the previous CRA examination, dated May 5, 2008.

## **DESCRIPTION OF ASSESSMENT AREA**

SNB has identified two assessment areas (AA) for CRA purposes. Its primary AA is the entire County of Orange. SNB has also elected to include the entire County of Los Angeles as a second AA. The combination of the two AAs forms the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA). The AAs meet regulatory requirements, have whole census tracts, and do not arbitrarily exclude low- or moderate-income (LMI) geographies. SNB operates in a highly competitive banking environment. Most of the competition in the MSA is from Bank of America, N.A.; Wells Fargo, N.A.; Union Bank, N.A.; J.P. Morgan Chase Bank, N.A.; City National Bank; U.S. Bank, N.A.; and Citibank, N.A.

### **Orange County**

Orange County (OC) is primarily an urban area with 34 incorporated cities and several unincorporated areas, which forms the Santa Ana-Anaheim-Irvine Metropolitan Division. OC is the third largest county in California by population and covers 789 square miles of land. The estimated population is 3 million based on the 2010 U.S. Census. OC has

extensive transportation facilities including airports, railroads, and freeways. The freeway system connects the county's labor force to employment centers in Los Angeles and provides extensive access within county borders. OC has 42 miles of southern California coastline with nine beaches. The neighboring counties include Los Angeles County to the north, San Diego County to the south, and Riverside and San Bernardino Counties to the east.

OC consists of 577 census tracts: four percent are low-income, 27 percent are moderate-income, 33 percent are middle-income, and 36 percent are upper-income tracts. The LMI tracts are located mainly in the central and northwestern parts of the county. The median housing value based on the 2000 Census was \$275,476. According to DQNews, the median home price in May 2013 was \$540,000. Approximately 57 percent of all housing units are owner occupied. The weighted average of the median family income was \$69,844 for 2000. The Federal Financial Institutions Examinations Council (FFIEC) updated the median family income to \$84,100 for 2013. Approximately nine percent of the households are living below the poverty level.

OC's economic output and employment is well distributed among various sectors. OC is known for tourism with attractions such as Disneyland, Knott's Berry Farm, and several beaches. The county is also the headquarters for several Fortune 500 companies, including Ingram Micro, Inc.; First American Financial Corporation; Broadcom Corporation; Western Digital Corporation; and Pacific Life Insurance Company. The major employers include the Walt Disney Company, University of California – Irvine, St. Joseph Health System, Boeing Company, Kaiser Permanente, and Bank of America Corporation.

Technology, tourism, and the renewed housing-related industries are the primary drivers improving the county's economy. Private job gains are broadening across industries, and local and state government payrolls are stabilizing. OC's labor force is expanding. The California Employment Development Department reported that the unemployment rate decreased to 6.5 percent for June 2013. OC's unemployment rate is one of the lowest among California regional economies and well below the state unemployment rate of 8.5 percent.

An OCC Community Affairs Officer contacted one community development organization that provides neighborhood housing products and services (including neighborhood organizing, affordable rehabilitation loans, and loan counseling services) in OC. The organization continues to receive support from the large financial institutions in the area. However, the contact stated that the organization needs more investments from financial institutions for the California Organized Insurance Network (COIN). Community development financial institutions receive distributions from the COIN for programs that benefit LMI individuals and communities.

## **Los Angeles County**

Los Angeles County (LAC) includes all metropolitan divisions, political subdivisions, cities, towns, and tracts, which forms the Los Angeles-Long Beach-Glendale Metropolitan Division. LAC is a highly diverse urban area with 88 cities; although, most of the county is unincorporated. The county is one of the largest in the nation with 4,083 square miles and includes San Clemente and Santa Catalina Islands. The estimated population is 9.8 million based on the 2010 U.S. Census. LAC has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. LAC 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.

LAC consists of 2,054 census tracts: nine percent are low-income, 28 percent are moderate-income, 28 percent are middle-income, and 34 percent are upper-income tracts. Approximately one percent of the geographies are not designated to a specific income level. Most of the LMI tracts are located in the southern and central regions of the county with a few larger individual moderate-income tracts located in the northern section. The 2000 Census median housing value was \$240,248. According to DQNews, the median home price in May 2013 was \$410,000. Approximately 46 percent of all housing units are owner occupied. The weighted average of the median family income was \$53,036 for 2000. The FFIEC updated the median family income to \$61,900 for 2013. Approximately 15 percent of the households are living below the poverty level.

LAC has a diverse economic base. Historically, the leading industry clusters were tourism and hospitality, professional and business services, entertainment (motion picture and TV production), wholesale distribution, and health services and biomedical. More recently, LAC's economy has been largely technology driven. This sector includes bio-medical, digital information technology, and environmental technology, all of which build on the vibrant technical research capabilities in the county. LAC is also the largest manufacturing center in the United States, and 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 top employers in the county are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation; University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America Corporation; The Boeing Company; Providence Health Systems, The Home Depot, USA Inc.; and Vons.

The economy in LAC has shown signs of improvement. Payrolls have increased primarily because of a surge in hiring among the motion picture and sound recording firms. Apparel makers also posted modest gains. However, layoffs in technology, manufacturing, and local government tempered the gains. In April 2013, the unemployment rate dropped below 10 percent for the first time in four years. According

to the California Employment Development Department, the seasonally adjusted unemployment rate for the LAC was 9.7 percent for June 2013. However, this is above the unemployment rate of 8.5 percent for the State of California.

An examiner contacted one community development organization that provides credit resources to small businesses in underserved communities in LAC. The contact stated that high unemployment and low business formations persist in the area. However, increasing credit availability to local small businesses will improve economic conditions through job creation and economic development. The contact also stated that there are numerous opportunities for bank involvement. This includes contributing to small business lending funds and providing technical assistance to small businesses in the area.

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

Based on our random sample of 40 commercial loans, the bank's performance in meeting the credit needs of the community is satisfactory. During the evaluation period, SNB made a substantial majority of its loans to borrowers inside the AAs. The LTD ratio is reasonable given the bank's size and performance context. The bank has reasonable penetration among businesses of different sizes and excellent geographic dispersion throughout the AAs. Each of the areas considered in the lending test are described below.

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

SNB's LTD ratio is reasonable given the bank's size, financial condition, and local economic conditions. We analyzed the bank's quarterly average LTD ratio for the prior 21 quarters since the previous CRA examination through March 31, 2013. SNB's average LTD ratio for this period was 83 percent. This ratio ranged from a quarterly low of 71 percent to a quarterly high of 104 percent during this period. For the purpose of this analysis, we compared the bank's ratio to the average ratio of six banks that are similar in both asset size and geographic location. The combined average quarterly LTD ratio for the comparable banks over the same period was 81 percent, with the ratios ranging from 57 percent to 104 percent.

### **Lending in Assessment Area**

SNB originated a substantial majority of its loans within its delineated AAs, and exceeds the standard for satisfactory performance. The bank originated 85 percent of the number of commercial loans in our random sample and approximately 84 percent of the dollar amount within the AAs during our evaluation period. See Table 1 for details.

<b>Table 1 – Lending in the Defined CRA Assessment Areas Commercial Loans January 2008 through December 2011</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial	34	85	6	15	40	17,311	84	3,200	16	20,511

Source: Random sample of 40 bank commercial loan originations.

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

The bank’s distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics, and meets the standard for satisfactory performance. We randomly sampled 20 business loans the bank originated or purchased within the OC AA and 20 business loans the bank originated or purchased within the LAC AA.

*Performance in the OC AA*

The bank originated 55 percent of loans by number and 69 percent by dollar volume to small business borrowers in its assessment area. This reasonably compares to small business demographics in the OC AA. See Table 2A for details.

<b>Table 2A – Lending to Businesses of Different Sizes – Borrower Distribution Commercial Loans Orange County Assessment Area January 2008 through December 2011</b>				
Business Revenues or Sales	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.30%	3.57%	28.13%	100%
% of Bank Loans in AA by #	55%	45%	0%	100%
% of Bank Loans in AA by \$	69%	31%	0%	100%

Source: Dun and Bradstreet reported revenue data. Random sample of 20 commercial loan originations.

*Performance in the LAC AA*

The bank originated 65 percent of loans by number and 64 percent by dollar volume to small business borrowers in its assessment area. This reasonably compares to small business demographics in the LAC AA. See Table 2B for details.

<b>Table 2B – Lending to Businesses of Different Sizes – Borrower Distribution Commercial Loans Los Angeles County Assessment Area January 2008 through December 2011</b>				
Business Revenues or Sales	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.79%	3.19%	29.02%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	64%	36%	0%	100%

Source: Dun and Bradstreet reported revenue data. Random sample of 20 commercial loan originations.

### Geographic Distribution of Loans

The geographic distribution of business loans overall reflects excellent dispersion throughout the AAs compared to area demographics, and exceeds the standard for satisfactory performance. We randomly sampled 20 business loans the bank originated or purchased within the OC AA and 20 business loans the bank originated or purchased within the LAC AA.

#### *Performance in the OC AA*

The geographic distribution for commercial loans reflects excellent dispersion in the OC AA. SNB’s lending to businesses in low- and moderate-income tracts exceeds the demographic data for the AA. See Table 3A for details.

<b>Table 3A – Geographic Distribution of Commercial Loans Orange County Assessment Area January 2008 through December 2011</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Commercial	2.38%	5%	25.49%	55%	33.63%	30%	37.70%	10%

*Source: Dun and Bradstreet business data by geographic location. Random sample of 20 loan originations.  
Note: 0.80 percent of census tracts in the geo-demographic data are not income-designated tracts.*

#### *Performance in the LAC AA*

The geographic distribution for commercial loans overall reflects excellent dispersion in the LAC AA. SNB’s lending to businesses in low-income tracts is near to the demographic data while the lending to businesses in moderate-income tracts well exceeds the demographic data for the AA. See Table 3B for details.

<b>Table 3B – Geographic Distribution of Commercial Loans Los Angeles Assessment Area January 2008 through December 2011</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Commercial	6.47%	5%	18.72%	45%	26.40%	25%	47.64%	25%

*Source: Dun and Bradstreet business data by geographic location. Random sample of 20 loan originations.  
Note: 0.77 percent of census tracts in the geo-demographic data are not income-designated tracts.*

## **Responses to Complaints**

SNB has not received any complaints about its performance under the CRA during this evaluation period.

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

Pursuant to 12 CFR 25.28(c) or 12 CFR 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 AA 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.