



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National American Bank
Charter Number 18095**

**520 Montgomery Street
San Francisco, CA 94111**

**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.

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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 CRA performance of National American Bank, prepared by The Office of the Comptroller of the Currency, as of **November 17, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

National American Bank (NAB) 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:

- The bank has a reasonable loan-to-deposit ratio.
- A majority of their loans are within its assessment area.
- The bank's distribution of loans to businesses of different sizes reflects, given the demographics of its assessment area, reasonable penetration among businesses of different sizes.
- The bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- There have not been any public complaints about the bank's CRA performance

DESCRIPTION OF INSTITUTION

National American Bank (NAB) is a community bank that was established in February 1984 and primarily serves the Asian community in Chinatown. The bank is 100% owned by National American Bancorp, a one-bank holding company. Ownership of the holding company is diverse, but the bank's directors own a significant portion of the holding company. NAB has three locations in the city of San Francisco. The main office is located in the financial district, with two additional branches located on Noriega Street and Clement Street in San Francisco. NAB does not have any Automatic Teller Machines (ATM).

As of December 31, 2002, NAB had total assets of \$83 million, with \$58 million in loans, which represents net loans to total assets of 71%. NAB received a "Satisfactory" rating in its prior CRA evaluation dated July 12, 1999.

NAB's primary lending products are commercial real estate loans; commercial and other consumer products are available. The table below lists the outstanding balance of the bank's major loan products as of December 31, 2002.

Loan Type	Dollars (000's)	Percent
Commercial Real Estate Loans	55,119	93%
Commercial Loans	3,282	6%
Individual Loans	917	1%
Other Loans	0	0%
Total	59,318	100%

Source: 12/31/02 Report of Condition

There are no legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

Management and the Board have designated the City and County of San Francisco as their assessment area, consisting of 152 census tracts located in the city of San Francisco, which is a portion of the San Francisco Metropolitan Statistical Area (MSA). The San Francisco MSA includes other cities and counties that are not part of the bank's assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low-to-moderate-income geographies.

The population of the assessment area is 723,959 and the services industry is the center of activity, according to 2002 Business Geodemographic Data.

San Francisco is a port city situated on the northern tip of a peninsula bordered by the Pacific Ocean on the west, the Golden Gate on the north, San Francisco Bay on the east, and the San Mateo County line to the south. San Francisco is only a portion of the San Francisco MSA, which also includes San Mateo and Marin Counties. The city of San Francisco is the financial center of the West and the gateway to Asia. Major employers are United Airlines, the University of California, Oracle Corporation, Macy's, Wells Fargo Bank, and state and local government.

The unemployment rate in San Francisco is currently at 2.8% according to the California Department of Finance as of February 2002. The FDIC State Profile, Division of Insurance and Research, dated Summer 2003, indicated that the San Francisco Bay Area is experiencing its worst economic decline in the past fifty years, in part due to the downturn in the high-tech manufacturing and software sectors, and the collapse of the dot-com industry. Office vacancy rates have risen with the largest increase being in the city of San Francisco.

NAB faces strong competition from 72 banks operating within the assessment area, and ranks 42nd in market share with 0.09% of the market's deposits. The two largest banks hold a total of 57% of the market share. The competing institutions include in part, Wells Fargo, Bank of America, Union Bank, Trans-Pacific National Bank, Sequoia National Bank, and Novato Community Bank.

The following table highlights the demographic composition of the bank's San Francisco assessment area.

Demographic Information for NAB's Assessment Area: San Francisco MSA						
Demographic Characteristics by Number	#	Low	Moderate	Middle	Upper	NA*
Geographies (Census Tract #)	152	23	41	58	27	3
Demographic Characteristics by %	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tract %)	152	15.00%	27.00%	38.00%	18.00%	2.00%
Population by Geography	723,959	14.45%	27.91%	44.02%	13.54%	0.08%
Owner-Occupied Housing by Geography	105,514	3.53%	20.95%	54.69%	20.83%	0.00%
Business by Geography	69,457	29.41%	22.97%	26.52%	21.10%	0.00%
Farms by Geography	318	15.72%	25.16%	37.11%	22.01%	0.00%
Family Distribution by Income Level	143,818	28.06%	20.53%	21.26%	30.16%	0.00%
Distribution of Low Income Families in AA	40,352	61.63%	35.39%	20.52%	10.34%	0.00%
Distribution of Moderate Income Families in AA	29,524	19.02%	25.00%	21.12%	11.07%	0.00%
Median Family Income		\$49,282				
<i>%Updated HUD Adjusted Median Family Income for 2002</i>		\$86,100		Median Housing Value		\$319,708
Households Below Poverty Level		10%		Unemployment Rate (1990 US Census)		4%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census and 2002 HUD updated MFI.

The three largest employment sectors in the San Francisco MSA employ 77% of the civilian workforce: services (41%), non-classifiable establishments (21%), and retail trade (16%), according to the 2002 Business Geodemographic Data. The 2002 Business Geodemographic data show that 69,457 businesses operate within the bank's current assessment area. Of those with reported revenues, 67% have reported annual revenues of \$1 million or less. Approximately 61% employ fewer than ten employees.

During the examination we made one community contact with a representative from the Asian Pacific Agency. The representative stated there is a need for small business loans, job-training opportunities, and services where individuals can turn to in response to the stagnant economy.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

We evaluated the bank's performance based on a random sample of loans originated from July 12, 1999 through December 31, 2002. We focused our evaluation on commercial real estate loans originated since the last CRA examination. We used the sampled loans to review the bank's lending in its assessment areas, its geographic and income distribution of loans, and its overall CRA performance. Home mortgage and consumer loan products were not selected in our sample since the bank is not a major mortgagor or consumer lender in this market.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is an indicator of a bank's willingness to lend. The bank's degree of lending is reasonable given its size, the credit needs of the assessment area, and the competitive banking market within the assessment area. We analyzed the bank's quarterly LTD ratio from September 1999 to December 2002 (15 quarters). During this period, the LTD ratio averaged 76%.

We compared the bank's LTD ratio with that of peer banks in San Francisco County that have similar demographics, asset size, and lending products. This peer group consists of three financial institutions, ranging in total asset size from \$59 million to \$134 million. The average quarterly LTD ratio for the peer group was 81%, compared to 76% for NAB. The bank's LTD reasonably compared to the peer bank average and meets the standard for satisfactory performance.

Lending in the Bank's Assessment Areas

A majority of the bank's loans and other lending-related activities are made to customers who reside within the bank's designated assessment area.

We sampled 20 loans since the last CRA examination focusing on the bank’s primary loan product, commercial real estate loans. Of the 20 loans sampled, the percentage of commercial real estate loans originated by number and dollar amount to borrowers located within the assessment area are 85% and 87%, respectively.

In order to meet the standard for satisfactory performance in this criterion, the bank needs to originate at least 50%, both as a percentage of the number of loans and the dollar volume of loans, within their assessment area. Consequently, the bank's lending to businesses within the assessment area meets the standard for satisfactory performance.

Lending to Businesses of Different Sizes

Given the demographics of the assessment area, the bank's distribution of loans reflects reasonable penetration among businesses of different sizes.

We selected a random sample of 27 commercial real estate loans to evaluate the bank's performance. These loans were originated between July 1999 and December 2002, and were within the bank's assessment area.

We compared the bank's lending to businesses within the assessment area to the demographics of small businesses within the same assessment area. Small businesses are those with gross revenues of \$1 million or less. The table below displays the bank's lending practices based on our sample.

Income Distribution of Loans to Businesses San Francisco County Assessment Area Years 1999 - 2002		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	67%	8%
% of Bank Loans in AA by #	78%	22%
% of Bank Loans in AA by \$	68%	32%

** Demographic Data Source: 2002 Dun & Bradstreet - 25% of AA businesses did not report revenue data*

As the table above shows, the percentage of lending to small businesses is 78% (by number) and 68% (by dollar) compared to the Dun and Bradstreet demographics of 67% of small businesses located in their assessment area. This confirms the bank’s commitment to meet the credit needs of small businesses, which was identified as a credit need by our community contact. Consequently, the bank meets the standard for satisfactory performance.

Geographic Distribution of Loans

Based on our sample, the bank's geographic distribution of loans reflects excellent dispersion throughout the assessment areas. We identified no gaps in the bank's lending to low- and

moderate-income geographies. The analysis reflects lending in all tracts in the bank’s assessment area.

We reviewed the pattern for geographic distribution of lending between low- and moderate-income tracts within the assessment area. The table below details the bank's commercial lending activity within the assessment area. We used the same sample of loans from the **Lending to Businesses of Different Sizes** section of this performance evaluation.

Geographic Distribution of Loans to Businesses San Francisco County Assessment Area								
Census Tract Income Level ¹	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Businesses						
1999 – 2002 Sample ¹	33%	29%	37%	23%	30%	27%	0%	21%

Demographic Data Source: ¹ 2002 Dun & Bradstreet

As shown in the table above, the bank’s distribution of business loans by percentage of number of loans originated in the low-income geographies was 33%. This exceeds the areas demographics, which shows that 29% of businesses are in low-income census tracts. The bank’s distribution of business loans by percentage of number of loans originated in the moderate-income geographies was 37%. This exceeds the area demographics, which shows that 23% of businesses are in moderate-income census tracts. Based on the lending patterns in low- and moderate-income geographies, the bank exceeds the standard for satisfactory performance.

Responses to Complaints

No consumer complaints associated with the bank’s performance under the provisions of the CRA have been made since the last examination.

Fair lending or other Illegal Credit Practices Review

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