

## **INTERMEDIATE SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

### **PUBLIC DISCLOSURE**

**April 26, 2006**

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

**The Bank of East Asia (USA), National Association  
Charter Number 24440**

**202 Canal Street  
New York, NY 10013**

**Comptroller of the Currency  
New York Metro-north  
1114 Avenue Of The Americas Suite 3900  
New York, NY 10036**

**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.**

## **DESCRIPTION OF INSTITUTION**

The Bank of East Asia, USA, National Association (BEA-USA) is a national bank headquartered in the Chinatown area of Manhattan, NY. BEA-USA's parent bank is the Bank of East Asia, Limited, Hong Kong, which has total consolidated assets of \$30 billion. As the largest independent local bank in Hong Kong, BEA has had a presence in New York City since 1984 when it established a wholesale-funded, non-insured federal branch in midtown Manhattan.

The Bank of East Asia Group acquired the predecessor of BEA-USA (Grand National Bank, Alhambra, CA) in August 2001 and, on December 5, 2003 BEA-USA (formerly Grand National Bank) merged with its interim national bank in Chinatown, Manhattan, and kept the name – Bank of East Asia USA, N.A. The formation of an interim national bank was just a technical maneuver to allow BEA-USA to begin operations in New York in accordance with interstate banking laws. With the 2003 reorganization, BEA-USA moved its headquarters to New York City and opened the Chinatown main branch. Additionally, in connection with the reorganization, BEA-USA purchased a significant percentage of BEA-NY's loans and assumed a significant portion of its deposits.

BEA-USA operates a full service branch in Chinatown, NY (main branch), as well as four other branches in Los Angeles County, California, namely Alhambra, City of Industry, Torrance and Temple City. Additionally, BEA-USA will acquire National America Bank in San Francisco, CA on May 19, 2006, which will add three branches to its network. These branches will be on Montgomery Street, Clement Street, and Noriega Street in the city of San Francisco. The bank is also planning on opening two new branches in Brooklyn and Flushing in New York City. The Brooklyn branch is planned to open mid-year 2006 and the Flushing branch will open by the end of 2006.

Furthermore, BEA-USA, N.A. operates a loan production office (LPO) in Flushing, Queens, NY. The bank also offers a wide variety of credit and deposit products, as well as a diversity of retail services to meet consumer and commercial banking needs in the New York and Southern California regions. It also facilitates ATM machines and the use of debit cards throughout its branches. Please refer to the BEA-USA Public File for specific details on deposit and credits products offered in both regions.

As of December 31, 2005 total assets of BEA-USA were \$486 million. The bank's primary business focus is commercial real estate and trade finance loans/commercial lines of credit lending. At December 31, 2005, net loans represented 84% percent of total assets. Commercial real estate loans, as well as trade finance loans/commercial lines of credit represented 93 percent and 5 percent of the bank's loan portfolio, respectively. In addition, BEA-USA has an additional \$39 million in unfunded loan commitments and letters of credit.

On 3/24/2003, the parent bank BEA- Ltd Hong Kong received OCC approval to establish a Regional Administrative Office (RAO), located at the bank's Chinatown, New York location. The RAO is responsible for all U.S. activities and, in particular, the development of strategic

business plans and initiatives, management and oversight issues, financial and tax planning and reporting, risk management, compliance, audit and related administrative matters.

There are no impediments identified, legal or otherwise, which would hinder the institution's ability to help meet the credit needs in its assessment area. BEA-USA's assessment area includes New York (Manhattan), Queens, and Kings (Brooklyn) Counties, as well as Los Angeles County, resulting in a highly competitive environment.

As of June 30 2005, a total of 108 offices of various financial institutions are within the bank's New York (Kings, Queens, and Brooklyn) assessment area, with the bank ranked 76<sup>th</sup> and capturing a 0.03% market share. BEA-USA's Los Angeles County assessment area is comprised of 133 institutions, with the bank ranked 65<sup>th</sup> and capturing a 0.10% market share.

Competition encompasses branches of large multinational and regional banking institutions in addition to thrifts and branches of other Chinese banks. This is the first CRA exam performed for BEA-USA, N.A. The previous CRA review was completed for Grand National Bank on July 30, 2001 prior to the acquisition by BEA-USA, N.A, and was rated "Satisfactory".

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period for the lending test for commercial real estate loans and trade finance/commercial Lines of Credit (LOC) is from January 1, 2003 through December 31, 2005.

These have been identified as the primary loan products extended by the bank. Our review did not cover 2002 loan data since BEA-USA merged in 2003 (Please refer to description of the institution for details). Our total sample included fifty loans from the bank's primary lending products, which included twenty five loans originated in New York (Kings, Manhattan, and Queens's counties of New York City) and twenty-five loans originated in Los Angeles (Los Angeles county).

For the community development (CD) test, the evaluation period is from July 30, 2001 to May 1, 2006, which represents the end date of the prior CRA review through the start date of this current review. We considered qualified CD loans, investments and services in conducting this test.

### **Data Integrity**

The accuracy and applicability of lending activities for loans originated in NY was verified and found to be accurate. CD loans, investments and services submitted by management were also verified to ensure that they met the regulatory definition for CD.

### **Rating**

BEA-USA two assessment areas in New York (Kings, Manhattan, and Queens Counties) and Los Angeles (LA County) were reviewed. The overall rating for BEA-USA is based on the individual state ratings for the full-scope reviews performed for New York and Los Angeles.

## **Responses to Complaints**

BEA-USA has not received any CRA-related complaints covering the review period with respect to its performance.

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

We found no evidence of illegal discrimination or other illegal credit practices inconsistent with helping to meet community credit needs.

## **INSTITUTION'S CRA RATING:**

**The Bank of East Asia (U.S.A), NA (BEA-USA) is rated Satisfactory**

The Overall Lending Test is rated: Outstanding

The Overall Community Development Test is rated: Satisfactory

The primary factors supporting this overall rating include:

- A more than reasonable average loan-to-deposit ratio during the evaluation period.
- A substantial majority of the bank's loans were within the designated assessment area (AA).
- Lending to businesses of different sizes in the AA is more than reasonable.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- Adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services.

## State Rating

### State of New York

**CRA Rating for New York:**

**Satisfactory**

**The Lending Test is rated:**

**Outstanding**

**The Community Development Test is rated:**

**Satisfactory**

The primary factors supporting this rating include:

- A more than reasonable average loan-to-deposit ratio during the evaluation period.
- A substantial majority of the bank's loans were within the designated assessment area (AA).
- Lending to businesses of different sizes in the AA is more than reasonable.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- Adequate responsiveness to the community development needs of its NY AA through community development loans, qualified investments, and community development services.

## DESCRIPTION OF NEW YORK AA

### (New York-Queens-Kings Counties)

There were no physical or boundaries changes to the bank's assessment area because of changes in MSA boundaries and definitions in 2004, eliminating the need for a separate analysis of the bank's CRA performance in 2003.

BEA-USA operates in an urban area and has identified portions of the New York MSA as its assessment area. New York City, with its five boroughs, is part of the New York-White Plains-Wayne, NY-NJ Metropolitan Statistical Area (MSA) 35644. However, BEA-NY's AA consists of New York (Manhattan), Queens, and Kings (Brooklyn) counties. The AA contains 1,752 census tracts. Of these tracts, 11% are low-income, 29% moderate-income, 32% middle-income, 25% upper-income, and 2% of the census tracts in the assessment area had no income information available.

The AA meets all regulatory guidelines and does not arbitrarily exclude low and moderate-income areas. According to the 2000 Census data, the total population of the AA was 6.2 million with 2.4 million households. The 2000 weighted average median family income (MFI) for the AA is \$49,461. The 2005 Housing and Urban Development Agency (HUD) updated MFI is \$57,650.

The table below reflects the assessment area demographics based on 2000 Census results and updated 2005 HUD data:

<b>Assessment Area Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
<b>Geographies (Census Tracts)</b>	1,752	11%	29%	32%	25%	2%
<b>Population by Geographies</b>	6,231,900	12%	33%	30%	25%	0
<b>Owner-Occupied Housing by Geography</b>	721,879	3%	19%	36%	43%	0
<b>Businesses by Geography</b>	454,995	6%	21%	22%	49%	1%
<b>Family Distribution by Income Level</b>	1,437,894	30%	17%	17%	37%	0
Census Median Family Income = \$49,461 2005 HUD Updated Median Family Income = \$57,650 Households below the Poverty Level = 18%			Median Housing Value = \$244,528 Unemployment Rate = 4.01%			

Source: 2000 U.S. Census and 2005 HUD Updated MFI

There are 2,546,260 housing units within the bank's assessment area, of which 94% are occupied and 6% vacant housing units. Owner occupied units account for 28% of the total housing units, while rental units account for 66%. The housing units are primarily multifamily units (61%) and the remaining units are 1-4 family (38%).

The median housing value in the assessment area is \$244,528. The housing affordability ratio in

the assessment area, calculated by dividing median family income by median housing value, is low at 23.6%, indicating greater challenges for low-and-moderate income borrowers to purchase a home.

The New York MSA is home to many large and diversified financial services companies, contributing to a fiercely competitive market for all types of products. Major competitors providing financial services in the branch's AA include JP Morgan Chase, Citibank, and HSBC. These are in addition to other financial institutions that compete for the same local customer base.

Additionally, the overall economy for the MSA continues to grow. New York City (NYC) is a leading world financial, business, and trade center. Many national and international corporations are headquartered here. Historically, the downtown area has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing and garment production. The retail sector is a major employer with several large department stores and small businesses throughout the AA. According to the 2000 Census data, the largest industries in the AA are Services; Retail Trade; Finance, Insurance and Real Estate; Wholesale Trade; Manufacturing; and Construction.

During the examination, we held discussions with local community development agencies in the Chinatown section of NY City to help us determine the community credit and development needs in the bank's assessment area. These agencies are committed to community service and empowerment targeting immigrants, low-income families, senior citizens, and minorities throughout New York City. The primary credit needs of the communities are small business lending, affordable housing and homeownership. The community contact indicated that there are opportunities for financial institutions to become involved in the community redevelopment as well as supporting the primary credit needs of the community.

## **LENDING TEST IN NEW YORK (New York-Queens-Kings Counties)**

The bank's performance under the Lending Test in the NY AA is rated outstanding. Performance for the loan-to-deposit ratio and lending in assessment area tests are outstanding with very high ratios. Additionally, performance is excellent for geographic distribution of loans and lending to businesses of different sizes given the bank's performance context factors.

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

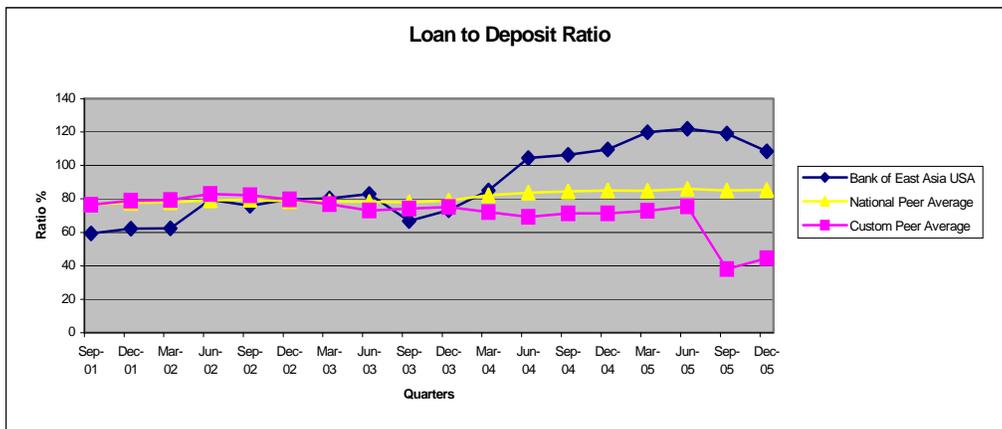
This portion of the evaluation was performed at the bank level rather than at each AA. This analysis indicates the level of lending within all of the AAs on a consolidated basis.

BEA-USA loan-to-deposit ratio (LTD) is considered more than reasonable given the bank's size, competition, and market loan demand.

The average LTD ratio was calculated using figures from the Uniform Bank Performance Report (UBPR) filed quarterly since the previous CRA examination. The LTD ratio averaged 88.73% for the period (18 quarters) beginning September 30, 2001 to December 31, 2005. The bank's LTD ratio predominantly trended upward during our review period. The lowest LTD for the period was 59.39% at September 30, 2001 and the highest ratio was 122.01% at June 30, 2005. Additionally, the average LTD ratio represents a significant increase from the LTD ratio of 50% noted during our previous review before BEA-USA acquired Grand National Bank in Alhambra, CA.

We compared BEA-USA's LTD ratio with the national peer group and also with two similarly situated banks considered as peers due to their location within the AA and/or asset size (custom peer). Our analysis revealed that BEA-USA exceeded the national peer average ratio of 81.10% and performed well above the custom peer average LTD ratio of 71.88% during our review period.

The following chart displays the bank's performance compared to the national peer group and to the custom peer average:



### Lending in Assessment Area (AA)

This portion of the evaluation was performed at the bank level rather than at each AA. This analysis indicates the level of lending within all of the AAs on a consolidated basis (NY & LA County).

*A substantial majority of BEA-USA's loans were within the assessment area. We reviewed the distribution of loan originations for BEA-USA's primary loan categories for the time period beginning January 1, 2003 and ending December 31, 2005. Based on a statistical sample of 50 loans, we concluded that 90% by number and approximately 89% by dollar volume of loans and commitments were within the bank's assessment area. Please refer to the table below for specific details:*

<b>Lending in the Assessment Area</b>										
(Dollar Amounts in Thousands)										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Commercial RE Loans	29	93.55%	2	6.45%	31	\$66,527	89.61%	\$7,710	10.39%	\$74,237
Trade Finance / Com'l LOC	16	84.21%	3	15.79%	19	\$15,480	84.34%	\$2,874	16.00%	\$18,354
Totals	45	90.00%	5	10.00%	50	\$82,007	88.57%	\$10,584	11.43%	\$92,591

Source: Bank Data/Loan Sample

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes in NY AA (New York-Queens-Kings Counties)**

An analysis of borrower income is not meaningful since consumer lending is not a primary business focus at the bank. However, an analysis was performed on BEA-USA commercial lending in the NY AA, which represents a significant portion of its loan portfolio.

BEA-USA lending to small businesses in its NY assessment area is more than reasonable.

During the evaluation period, we sampled 23 loans originated in the bank's NY (NY-Queens-Kings Counties) AA. Of this amount, 17 loans or 74% of the total loans sampled were made to small businesses, which are defined as businesses having revenues of \$1 million or less. According to Dun & Bradstreet data, small businesses with revenues of \$1 million or less comprise 63% of total businesses within the assessment area. Additionally, 77% by dollar volume of loans originated were made to businesses with revenues of \$1 million or less. Furthermore, considering the intense competition from larger regional banks and other ethnic institutions in the assessment area competing for the same local customer base, the bank's ratios are outstanding for the NY AA.

<b>Distribution of Loans by Business Revenue Size (Dollar Amounts in Thousands)</b>					
Business Revenues (Or Sales)	Percentage of Businesses in AA	Number of Loans	Percent of Total Number of Loans	Dollar Amount of Loans	Percent of Dollar Amount of Loans
< \$1,000,000	62.8%	17	74%	\$33,593	77%
> \$1,000,000	7.9%	6	26%	\$10,292	23%
Totals*	71%	23	100%	\$43,885	100%

Source: 2000 U.S. Census data and loan sample. 29% of AA businesses did not report revenue data

### **Geographic Distribution of Loans in New York AA (NY-Queens-Kings Counties)**

The geographic distribution of business loans and commitments reflects an excellent dispersion throughout the bank's NY assessment area (NY-Queens-Kings Counties).

Overall, the number of small business loans and commitments made in low and moderate-income census tracts exceeded the number of businesses in those tracts. Based on our original sample, 17 loans were made to small businesses in the NY AA. Of this amount, the bank made 4 loans or 24% of the small business loans and commitments to businesses in a low income tract and 7 loans or 41% in a moderate-income tract. Thus, on an aggregate basis, 65% of the small business loans and commitments sampled were originated in low-and moderate-income census tracts. These percentages exceeded the number of businesses in low and moderate income census tracts in the assessment area, 6% and 21% respectively, based on the 2000 Census data. The majority of these small business loans were originated in LMI tracts of Brooklyn, Manhattan (Lower East Side area), and Queens Counties.

<b>Geographic Distribution of Loans to Businesses in the NY AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business loans & commitments*	6%	24%	21%	41%	22%	6%	49%	29%

Source: 2000 U.S. Census Data and loan sample. 1% of AA businesses are in geography which has not been assigned an income classification.

## **COMMUNITY DEVELOPMENT TEST IN NEW YORK (New York-Queens-Kings Counties)**

The Community Development (CD) test in New York (NY-Queens-Kings Counties) is rated “Satisfactory”. BEA-USA’s community development performance demonstrates adequate responsiveness to the CD needs of its designated NY AA through community development loans, qualified investment, and CD services, considering the bank’s capacity and the need and availability of such opportunities for CD in the bank’s NY AA.

### **➤ Community Development Loans**

The bank originated three CD loans in the NY AA for approximately \$10.5 million that qualified under the CD definition in the CRA regulation. All three loans are helping to revitalize and stabilize low and moderate-income geographic areas located within the NY AA (Lower East Side of Manhattan and Brooklyn). The CD loans also provide economic development by creating long-term jobs for LMI and business opportunities in the bank’s AA. None of these loans were considered innovative or complex in nature.

### **➤ Qualified Investments and Donations**

As of our evaluation period, the bank made one qualified community development investment in the NY (MSA 35644) assessment area. This investment is a mortgage-backed security (MBS) totaling \$1.5 million, which meets the community development definition by providing affordable housing to low and moderate income individuals, and by revitalizing/stabilizing the geographic area (moderate income geography). The investment is backed by a pool of residential mortgages to low-and moderate income individuals, located within the bank’s AA. The mortgage note indicated that the property type is “multifamily” with a total of 91 units, and 100% occupied. Also, all units are for individuals with an income 80% under the HUD median income.

In addition, the bank made 16 qualified grants and donations, totaling \$22.8 thousand in the NY AA (NY-Queens-Kings Counties). These grants and donations made during the evaluation period were to local community organizations for various CD initiatives throughout the NY AA. None of the investments were considered innovative or complex in nature.

Investment activities are adequate when consideration is given to the actual benefit in the AA, and BEA-USA’s size and capacity. Also, while ample investment opportunities exist in this market, the presence of other larger and sophisticated financial institutions vying for such investments makes it difficult for the bank to attain a high level of investment activity.

### **➤ Community Development Services**

The level of CD services provided by the bank in the NY AA is adequate.

The following are the CD services provided by the bank employees and officers in the NY AA:

- Student Summer Internship Program. This program was offered by the bank in 2003, 2004, and 2005. BEA offers summer internship programs for high school students to teach them basic banking operations through on the job training. The bank also provides class-room training to interns on key regulatory concern and current issues in the banking industry. The goal of the program is to give the younger generation of people in the local community the opportunity to receive on the job experience.
  
- Walk for the community – Fund raising program organized by Oxford Health Plan for two foundations and thirteen Senior Centers in Manhattan, Brooklyn, and Queens. BEA-USA CEO participates on the advisory board of the organization. BEA-USA CEO and the bank’s staff formed a walkathon team for fund raising. Oxford will donate the fundraising proceeds to Chinatown Health Clinic Foundation, Love Foundation of the Chinese Christian Herald Crusade (a grant program for people in tragedy and financial needs), and thirteen senior centers in the Chinese community in Manhattan, Brooklyn, and Queens. Oxford Health Plan’s mission is to provide convenient access to affordable, quality healthcare services and to promote health and wellness in the community.
  
- The bank organized a “Cares for the Aged” visit at the Chinatown Senior Citizen Center, which included a presentation by branch managers and their staff on the bank’s various products. According to the Director of NY Chinatown Senior Citizen Center, their members are already retired and their source of income is social security. Their annual income is around \$7,200 per year and they are low income individuals.
  
- “Bank on New York Campaign” – Partnership with the Department of Consumer Affairs. BEA Compliance Officer participated to this activity. This campaign encourages New Yorkers to open accounts. The goal of the campaign is to show an estimate of 800,000 unbanked New Yorkers, the benefits of establishing a solid relationship with a bank or credit union: building credit, using direct deposit, opening a savings account and saving money on daily transactions. BEA-USA promoted their Basic Banking account option. The bank also provided a handout that answers basic banking questions and the Earned Income Tax Credit Program.
  
- The bank’s Senior Business Manager is a director at the Immigrant Social Service Inc. and participates at the monthly Board Meetings.
  
- BEA-USA organized a “Residential Mortgage Seminar” for businesses in their NY AA. Speakers at the Seminar included the Residential Mortgage Manager, the various Branch Managers, the Chief Lending Officer, and the Senior Business Manager.

## State Rating

### State of Los Angeles

**CRA Rating for Los Angeles:**

**Satisfactory**

**The Lending Test is rated:**

**Outstanding**

**The Community Development Test is rated:**

**Satisfactory**

The primary factors supporting this rating include:

- A more than reasonable average loan-to-deposit ratio during the evaluation period.
- A substantial majority of the bank's loans were within the designated assessment area (AA).
- Lending to businesses of different sizes in the AA is reasonable.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- Adequate responsiveness to the community development needs of the Los Angeles County AA through community development loans, qualified investments, and community development services.

## DESCRIPTION OF LOS ANGELES COUNTY AA

There were no physical changes to the bank's AA because of changes in MSA boundaries and definitions in 2004, eliminating the need for a separate analysis of the bank's CRA performance in 2003.

Los Angeles is a highly diverse urban area that includes 88 cities and a number of unincorporated areas. Los Angeles is the largest and most rapidly growing metropolitan region in the fastest growing state in the country. The AA contains 2,054 census tracts, and is part of the Los Angeles-Long Beach-Glendale, CA MSA (#31084). Of these tracts, 9% are low-income, 28% moderate-income, 28% middle-income, 34% upper-income, and 1% of the census tracts in the assessment area had no income information available.

The AA meets all regulatory guidelines and does not arbitrarily exclude low and moderate-income areas. According to the 2000 census data, the total population of the AA was 9.5 million with \$3.1 million households. The 2000 weighted average median family income (MFI) for the AA is \$46,509. The 2005 Housing and Urban Development Agency (HUD) updated MFI is \$54,450.

The table below reflects the assessment area demographics based on the 2000 Census results and updated 2005 HUD data:

<b>Assessment Area Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
<b>Geographies (Census Tracts)</b>	2,054	9%	28%	28%	34%	1%
<b>Population by Geographies</b>	9,519,338	8%	29%	31%	32%	0
<b>Owner-Occupied Housing by Geography</b>	1,499,694	2%	15%	31%	51%	0
<b>Businesses by Geography</b>	749,658	8%	21%	26%	45%	1%
<b>Family Distribution by Income Level</b>	2,154,311	24%	16%	17%	42%	0
Census Median Family Income = \$46,509 HUD Updated Median Family Income = \$54,450 Households below the Poverty Level = 15.13%			Median Housing Value = \$240,248 Unemployment Rate = 3.72%			

Source: 2000 U.S. Census and 2005 HUD Updated MFI.

There are 3,270,909 housing units within the bank's assessment area, of which 96% are occupied and 4% vacant housing units. Owner occupied units account for 46% of the total occupied housing units, while rental units account for 50%. The housing units are primarily 1-4 family units (65%) and the remaining units are multifamily (33%).

The median housing value in the assessment area is \$240,248. The housing affordability ratio in the assessment area, calculated by dividing median family income by median housing value, is low at 23%, indicating greater challenges for low-and-moderate income borrowers to purchase a home.

Competition is strong with 133 institutions in the market for Los Angeles County. Major competitors

providing financial services in the AA include Bank of America, Washington Mutual Bank, and Wells Fargo Bank. These are in addition to other financial institutions that compete for the same local customer base.

The civil disturbances followed by other natural disasters in the 1990s impacted the area and its residents. Other states lured away business with tax concessions and more favorable business environments. However, the entertainment and garment industries coupled with the busy ports of Los Angeles have contributed to revitalize the area. According to the 2000 U.S. Census data, the largest industries in the AA are Services; Retail Trade; Finance, Insurance and Real Estate; Wholesale Trade; Manufacturing; and Construction. All of these industries have contributed significantly to local employment. Unemployment rate has continued to decline to 3.72% according to the 2000 U.S. Census.

During the examination, we also performed a community contact with a non-profit agency on the West Coast to determine the credit needs in the bank's Los Angeles county assessment area. Local credit needs identified by our contact involved first-time homebuyers and down payment assistance.

## **LENDING TEST IN LOS ANGELES (LA County)**

The bank's performance under the Lending Test in Los Angeles is rated outstanding. Performance for the loan-to-deposit ratio and lending in assessment area tests are outstanding with very high ratios. Additionally, performance is excellent for geographic distribution of loans and reasonable under lending to businesses of different sizes, given the bank's performance context factors.

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

This portion of the evaluation was performed at the bank level rather than at each AA. This analysis indicates the level of lending within all of the AAs on a consolidated basis. BEA-USA loan-to-deposit ratio (LTD) is considered more than reasonable given the bank's size, competition, and market loan demand. (Please refer to detailed LTD discussion above)

### **Lending in Assessment Area (AA)**

This portion of the evaluation was performed at the bank level rather than at each AA. This analysis indicates the level of lending within all of the AAs on a consolidated basis (NY & LA County). We concluded that a substantial majority of BEA-USA's loans were within the assessment area. (Please refer to Inside/Outside Ratio detailed discussion above)

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes in Los Angeles (LA) County AA**

An analysis of borrower income is not meaningful since consumer lending is not a primary business focus at the bank. However, an analysis was performed on BEA-USA business lending in Los Angeles County, which also represents a significant portion of its loan portfolio.

BEA-USA lending to small businesses in the Los Angeles County AA is reasonable.

During the evaluation period, we sampled 22 loans originated in the BEA-USA LA County assessment area. Of this amount, 11 loans or 50% of the total loans sampled were made to small businesses, which are defined as businesses having revenues of \$1 million or less. According to Dun & Bradstreet data, small businesses with revenues of \$1 million or less comprise 63% of total businesses within the assessment area. Nonetheless, we concluded the bank's lending to small businesses to be reasonable considering performance context factors such as competition from larger regional banks, other ethnic institutions in the assessment area, and the bank's business focus and strategy.

<b>Distribution of Loans by Business Revenue Size (Dollar Amounts in Thousands)</b>
---

Business Revenues (Or Sales)	Percentage of Businesses in AA	Number of Loans	Percent of Total Number of Loans	Dollar Amount of Loans	Percent of Dollar Amount of Loans
≤ \$1,000,000	62.8%	11	50%	\$20,252	53%
> \$1,000,000	6.1%	11	50%	\$17,870	47%
Totals*	69%	22	100%	\$38,122	100%

Source: 2000 U.S. Census Data and loan sample. 31% of AA businesses did not report revenue data

## Geographic Distribution of Loans in Los Angeles County AA

The geographic distribution of business loans and commitments reflects an excellent dispersion throughout the bank’s LA County assessment area.

Overall, the number of small business loans and commitments made in low and moderate-income census tracts exceeded the number of businesses in those tracts. Based on our original sample, 11 loans were made to small businesses in the LA County AA. Of this amount, the bank made 2 loans or 18% of the small business loans and commitments to businesses in a low income tract and 4 loans or 36% in a moderate-income tract. Thus, on an aggregate basis, 56% of the small business loans and commitments sampled were originated in low-and moderate-income census tracts. These percentages exceeded the number of businesses in low and moderate income census tracts in the assessment area, 8% and 21% respectively, based on the 2000 Census data.

Geographic Distribution of Loans to Businesses in the LA County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business loans & commitments*	8%	18%	21%	36%	26%	27%	45%	18%

Source: 2000 U.S. Census Data and loan sample. 1% of AA businesses are in geography which has not been assigned an income classification.

## COMMUNITY DEVELOPMENT TEST IN LOS ANGELES (Los Angeles County)

The CD test in Los Angeles (Los Angeles County) is rated “Satisfactory”. BEA-USA’s community development performance demonstrates adequate responsiveness to the CD needs of the LA County AA through community development loans, qualified investments, and CD services, considering the bank’s capacity and the need and availability of such opportunities for CD in the bank’s LA County AA.

## ➤ **Community Development Loans**

The bank originated seven loans in the LA County AA for approximately \$10.1 million that qualified under the CD definition in the CRA regulation.

We noted the following CD loans in the LA County AA for the evaluation period:

- \$1.5 million refinancing loan to develop a medical building in a moderate-income tract. This loan will provide medical and community services targeted to LMI.
- \$2.1 million commercial mortgage loan in a low income tract. The primary purpose of this loan is for the acquisition of a retail building that services small businesses. This loan meets the economic development definition of CD under CRA.
- \$2.1 million refinancing loan for a medical building. This loan provides medical and community services that are targeted to LMI individuals.
- \$1 million construction loan (sub-participation) to renovate a mixed-use retail and residential loft development situated in a low income level tract in the bank's LA County AA. This site revitalization project is sponsored by LA County. Upon completion of the Phase I of the project, there will be a total 165 live-work units, including 35 affordable units available to low-income individuals. This project provides affordable housing for LMI individuals, but also revitalize and stabilize this low income geography.
- \$1.16 million indirect loan to a non-profit organization, First Step Emergency Shelter Inc., to help homeless people by providing emergency food, clothing, and housing.
- \$1.5 million indirect loan to a non-profit organization, New Image Emergency Shelter for homeless, to house approximately 400 homeless people from Hollywood and various parts of downtown Los Angeles.
- \$800 thousand loan to Chabad Housing Corporation (non-profit organization) to refinance a property that is utilized as a rehabilitation campus and nursing home for low-income households.

## ➤ **Qualified Investments and Donations**

As of our evaluation period, the bank made one qualified community development investment in the LA County (MSA 31084) assessment area. This investment is a GNMA bond totaling \$1.4 million, which meets the community development definition by providing affordable housing to low and moderate income individuals, and by revitalizing/stabilizing the geography (low income geography). The mortgage note indicated that the property is a subsidized apartment building for elderly.

In addition, the bank made 16 qualified grants and donations, totaling \$12 thousand in the LA County AA. These grants and donations made during the evaluation period were to local community organizations for various CD initiatives throughout the LA County AA.

None of the investments were considered innovative or complex in nature. Investment activities in LA are adequate when considering BEA-USA's overall size and capacity, and the presence of other larger and sophisticated financial institutions in the same market.

### ➤ **Community Development Services**

The level of CD services provided by the bank in the LA County AA is adequate.

The following are the CD services provided by BEA-USA employees and officers in the LA County AA:

- High school intern for the bank hired as a receptionist, answered general questions for elderly and assisted low-income individuals apply for social security. The BEA intern also scheduled appointments for individuals who required assistance, and participated in homeowners and renters assistance volunteer program (HRA). This CD service was provided by the bank to Chinatown Service Center various times.
- This activity was organized by Pasadena Neighborhood Housing, a non-profit organization. BEA-USA employees, who included the Deputy CEO, the COO, Senior Lending Manager, branch officer and staff, formed a "House Painting Team" and volunteered to paint houses and improve the neighborhood.