



## **PUBLIC DISCLOSURE**

April 21, 2014

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

EH National Bank  
Charter Number 24493

9701 Wilshire Boulevard  
Beverly Hills, CA 90212

Office of the Comptroller of the Currency  
Los Angeles 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 major factors supporting the institution's rating are:

- The loan-to-deposit ratio meets the standard for satisfactory performance and is more than reasonable.
- A majority of the bank's lending activity was originated within its delineated assessment area.
- The overall performance of lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance and reflects adequate penetration.
- The overall performance for the geographic distribution of loans meets the standard for satisfactory performance. Performance in low-income census tracts is comparable to demographics. Performance in moderate-income census tracts exceeds demographics.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) assesses the CRA performance of EH National Bank (EHNb or the bank) using Small Bank CRA procedures. We performed a full-scope examination of the Los Angeles County assessment area. We evaluated the bank's small business and commercial lending activity for the evaluation period of January 1, 2012, through December 31, 2013. Our analysis included commercial real estate, commercial business, and Small Business Association (SBA) loans. The bank has no consumer loans.

During the CRA examination, we performed a data integrity examination to determine the accuracy of the bank's commercial loan data. We determined the data to be accurate. As a result, our analysis included 100 percent of the bank's lending activity for the evaluation period.

**DESCRIPTION OF INSTITUTION**

EHNb began operations in 2005 with a primary, short-term credit strategy of originating and selling SBA and other federally guaranteed loans to businesses throughout the U.S. Since 2011, the bank's business strategy is more of a community-oriented institution, concentrating on local small business lending and leasing activities. The bank operates from its head office located in Beverly Hills, CA.

The bank provides traditional, non-complex products and services, including internet banking, on-line cash management, and remote deposit capture. EHNB has one ATM and nationwide ATM access.

Since 2009, EHNB has been operating under a Consent Order. While the Order initially resulted in a reduction of lending activity, the bank’s CRA performance was not negatively impacted, and the bank has continued to meet the credit needs of the community. EHNB received a “Satisfactory” rating under the Small Bank rating criteria at the prior CRA examination, dated December 7, 2007.

### DESCRIPTION OF ASSESSMENT AREA(S)

EHNB has designated Los Angeles County as its assessment area (AA). The AA includes all 2,346 census tracts that make up the Los Angeles Metropolitan Division. The bank’s AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The following table provides demographic information for the Los Angeles County AA.

Demographic Information for Los Angeles County as of December 31, 2013						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,346	8.99	28.64	26.77	34.02	1.58
Population by Geography	9,818,605	8.01	29.43	28.26	33.92	0.39
Owner-Occupied Housing by Geography	1,552,091	2.13	16.61	28.64	52.61	0.01
Business by Geography	882,035	6.40	18.38	25.22	48.79	1.21
Farms by Geography	7,818	3.15	16.67	26.96	52.63	0.59
Family Distribution by Income Level	2,170,227	24.05	16.43	17.64	41.88	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	878,478	13.64	41.84	26.84	17.67	0.01
Median Family Income (MFI)		61,622	Median Housing Value		526,439	
HUD Adjusted Median Family Income for 2013		61,900	Unemployment Rate (2013 Federal Reserve Economic Database)			
Households Below Poverty Level		14%			8.8%	

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2013 HUD updated MFI

Los Angeles County is located in Southern California and covers 70 miles of coastline along the Pacific Ocean. The County spans over 4,000 square miles and includes San Clemente and Santa Catalina Islands. Los Angeles County has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads.

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.

The AA is part of the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is less populated in inland areas; however, the southern half of the County is heavily urbanized.

Based on the 2010 U.S. Census, the updated population in the Los Angeles County AA is 9.8 million. EHNB helps meet community credit needs in the Los Angeles AA through its Beverly Hills branch office.

The banking environment in the bank's AA is highly competitive. The June 30, 2013 FDIC Deposit Market Share indicates that 119 institutions compete for deposits in the Los Angeles MSA. EHNB ranks 67<sup>th</sup> and holds a deposit market share of 0.05 percent. Eighty-five percent of the deposits in the AA are held by Bank of America, N.A.; Wells Fargo, N.A., Union Bank N.A.; JP Morgan Chase, N.A.; City National Bank; Citibank, N.A.; OneWest Bank; East West Bank; U.S. Bank, N.A.; Bank of the West; Commerce Bank; Cathay Bank; and HSBC Bank USA, N.A. The remaining competing banks hold less than 1 percent each. The banks that compete for deposits in the AA also compete for loans. In addition, there are numerous other institutions that do not collect deposits but compete for loans in the AA, making it even more difficult for banks to compete for loans than deposits.

Los Angeles County 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. The more recent economy of Los Angeles County is 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. The County also is 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 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.; Vons; Wells Fargo; Edison International; and AT&T.

The economy in the AA showed signs of improvement during the review period. Payrolls increased primarily because of a surge in hiring among the motion picture and sound recording firms. There were also modest gains by apparel makers. But layoffs in technology, manufacturing, and local government tempered gains. However, in April 2013, the unemployment rate dropped below 10 percent for the first time in four years. As of December 2013, the unemployment rate for the Los Angeles MSA was 8.8 percent. This is above the 8.3 percent unemployment rate for the State of California and the 6.7 percent national unemployment rate.

An examiner participated on a conference call with several development organizations that provide credit resources to small businesses in underserved communities in Los Angeles County. The representatives stated that high unemployment is still a major issue. Small business financing and technical assistance are a concern. Small business financing and technical assistance are needed. Entrepreneurship is more visible in this MSA than in other areas of the State. Affordable housing is a challenge, and foreclosure issues remain. There are asset-building needs, including financial literacy for individuals and business owners. Lastly, workforce development programs need funding.

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

EHNB's overall CRA lending performance is satisfactory.

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

EHNB's loan-to-deposit (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 25 quarters from the previous CRA examination through December 31, 2013. The bank's average LTD ratio for this period was 84 percent. This was slightly lower compared to the combined average quarterly ratio for comparable institutions of 95 percent for the same period. We compared peer institutions that have similar asset size and are operating in a similar geographic area. The slight decrease from peer comparables is a result of a high level of liquid assets and strategic initiatives to raise the core deposit base.

### Lending in Assessment Area

EHNB's lending performance within its AA is satisfactory. The bank originated the majority of its loans, by number and dollar volume, within its AA.

Table 1 - Lending in Los Angeles AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Business	53	65	29	45	82	36,437	64	20,764	36	57,201
Total	53	65	29	45	82	36,437	64	20,764	36	57,201

Source: Bank loan file data. 2010 U.S. Census data

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

The bank's distribution of loans to businesses with annual revenues of \$1 million or less meets the standard for satisfactory performance and reflects reasonable penetration. While the bank performed slightly lower than the demographics, the majority of the bank loans were to small businesses.

Table 2 - Borrower Distribution of Loans to Businesses in Los Angeles AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total %
% of AA Business*	73.1	4.5	22.4	100
% of Bank Loans in AA by #	60.4	20.7	18.9	100
% of Bank Loans in AA by \$	47.7	27.0	25.3	100

Source: Bank loan file data. 2010 U.S. Census data

### Geographic Distribution of Loans

The geographic distribution of loans meets the standards for satisfactory performance and reflects a reasonable dispersion throughout the AA. The level of the bank's lending to businesses in low-income census tracts compares favorably to area demographics. The percentage of loans made in moderate-income census tracts exceeds the demographics.

Table 3 - Geographic Distribution of Loans to Businesses in Los Angeles 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	6.4	5.7	18.4	32.1	25.2	22.6	48.8	39.6

Source: Bank loan file data. 2010 U.S. Census data

## **Responses to Complaints**

EHNB has not received any complaints about its performance under the Community Reinvestment Act 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.