



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 5, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Los Angeles National Bank
Charter Number 16240**

**7025 Orangethorpe Avenue
Buena Park, California 90621**

**Office of the Comptroller of the Currency
Southern California South Field Office
1925 Palomar Oaks Way, Suite 202
Carlsbad, California 92008**

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 an 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 Community Reinvestment Act (CRA) performance of **Los Angeles National Bank**, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Outstanding."

The primary factors supporting this rating are:

- ❑ The loan-to-deposit ratio is more than reasonable for the bank's size, financial condition, and area credit needs.
- ❑ A substantial majority of loans originated or purchased since the last CRA examination is within the bank's assessment area.
- ❑ Lending patterns reflect good penetration among businesses of different sizes, especially small businesses. The bank grants a significant number of small-sized loans, which is an identified community credit need.
- ❑ The geographic distribution of loans reflects good dispersion throughout the assessment area. In particular, the bank achieved excellent distribution in the moderate-income census tracts.

DESCRIPTION OF INSTITUTION

Los Angeles National Bank is an independent full-service commercial bank headquartered in Buena Park, California. The bank provides community access to credit at its three branches: the Buena Park main office in Orange County, and the Silverlake and Monterey Park branches in Los Angeles County. There is an automatic teller machine at the Buena Park and Monterey Park locations.

No financial or legal impediments hinder the bank's ability to meet the credit needs of the communities it serves. As of December 31, 2002, the bank had total assets of \$181 million, total loans of \$142 million (78% of total assets), and total deposits of \$158 million. The primary business focus is commercial lending. Commercial real estate, construction, and business loans comprise 97% of the total loan portfolio. The following chart reflects the loan portfolio by major product type.

TOTAL LOANS OUTSTANDING BY MAJOR PRODUCT TYPE AS OF DECEMBER 31, 2002

Loan Product	Amount Outstanding (000's)	Percent (%) of Total Loans
Commercial Real Estate and Construction Loans	\$114,479	80 %
Business Loans (Including SBA)	\$24,256	17 %
Consumer Loans	\$4,184	3 %
Total Loans	\$142,919	100%

The last CRA evaluation conducted as of December 1998 rated the bank as "Satisfactory."

DESCRIPTION OF THE ASSESSMENT AREA

Los Angeles National Bank's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The area consists of contiguous portions of two adjacent metropolitan statistical areas (MSA): the eastern portion of the Los Angeles County MSA 4480 and the entire Orange County MSA 5945. The Los Angeles defined area consists of 529 contiguous census tracts. The Orange County defined area consists of 484 adjacent and contiguous census tracts. Since the last CRA examination, the bank has expanded its Orange County defined area to include the entire County of Orange.

The total population in the Los Angeles defined area was approximately 3 million according to the 1990 United States Census (the 2000 census data were not available for analysis at the time of this evaluation). Median housing value in the area was \$205,885 with 47% of total housing units owner-occupied. Dun & Bradstreet 2002 economic data reflect that small businesses with annual revenues of less than \$500,000 represent the majority of the number of businesses in the area.

The California Employment Development Department (CAEDD) recorded an unemployment rate of 6.1% in Los Angeles County as of December 2002. The County has a diverse economic base with major employers including government, health services, tourism and entertainment, finance and business services, retail and wholesale distribution, and electronics and apparel manufacturing. The County experienced a modest recession in 2001-2002 and was adversely affected by a slowdown in international trade and area tourism following the September 11, 2001 terrorist attacks. Modest growth is expected in 2003, mainly from aerospace/defense spending, increased tourism, and the resolution of port labor disputes.

The CAEDD recorded an unemployment rate of 3.9% in Orange County as of December 2002. Major employers are centered in services, trade, manufacturing, tourism and amusement. Orange County's employment has fared better than Los Angeles, the State of California, and the national rates over recent years, although the County also experienced a general slowing in 2002. The outlook for 2003 is cautious, but positive, with expected growth in tourism, apparel production and aerospace/defense.

[Sources of economic data: State of California Employment Development Department, *America's Labor Market Information System (ALMIS 2002)*; County of Orange, *2003 Community Indicators Report*.]

The following table reflects the Los Angeles MSA census tracts by income category, and the population residing in the respective tracts according to the 1990 Census.

**LOS ANGELES COUNTY ASSESSMENT AREA
CENSUS TRACT COMPOSITION**

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Households	Percent of Population within Tract Category
Low Income Tracts	59	11%	92,777	10%
Moderate Income Tracts	153	29%	261,356	29%
Middle Income Tracts	195	37%	342,777	37%
Upper Income Tracts	119	22%	215,925	24%
N/A*	3	<1%	5	0%
Total	529	100%	828,849	100%

*[The N/A areas are those tracts not designated during the 1990 U.S. census. These consisted of the downtown Los Angeles Civic Center area, the Rancho Los Amigos National Rehabilitation Center in Downey and the Lanterman Developmental Center in Pomona].

The 1990 Census median family income in the area was \$39,035. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$55,100. The following table reflects the distribution of families by income level according to the 1990 Census.

**LOS ANGELES COUNTY ASSESSMENT AREA
FAMILY DISTRIBUTION**

Family Income Level	Number of Families by Income Level	Percent of Families in Area
Low Income Families	172,441	25%
Moderate Income Families	127,626	18%
Middle Income Families	143,746	21%
Upper Income Families	248,452	36%
Total	692,265	100%

The total population in the Orange County defined area was approximately 2.4 million according to the 1990 United States Census. Median housing value in the area was \$257,224 with 57% of total housing units owner occupied. Dun & Bradstreet 2002 economic data also reflect that small businesses with annual revenues of less than \$500,000 represent the majority of the number of businesses in the area. The following table reflects the Orange County MSA census tracts by income category, and the population residing in the respective tracts according to the 1990 Census.

**ORANGE COUNTY ASSESSMENT AREA
CENSUS TRACT COMPOSITION**

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Households	Percent of Population within Tract Category
Low Income Tracts	14	3%	19,621	2%
Moderate Income Tracts	118	24%	203,765	25%
Middle Income Tracts	213	44%	366,457	44%
Upper Income Tracts	133	28%	238,998	29%
N/A*	6	1%	8	0%
Total	484	100%	828,849	100%

*[The N/A areas are those tracts not designated during the 1990 U.S. census. These were primarily comprised of the John Wayne Airport area.]

The 1990 Census median family income in the area was \$51,269. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$75,600. The following table reflects the distribution of families by income level according to the 1990 Census.

**ORANGE COUNTY ASSESSMENT AREA
FAMILY DISTRIBUTION**

Family Income Level	Number of Families by Income Level	Percent of Families in Area
Low Income Families	110,124	18%
Moderate Income Families	112,222	19%
Middle Income Families	139,185	24%
Upper Income Families	228,959	39%
Total	590,490	100%

There is strong competition for market share among area financial institutions, including several community banks and branches of mid-size and large commercial, trust, and savings banks. We contacted a redevelopment agency and an economic development corporation that serve the Los Angeles area. We also contacted a small business development corporation that serves a number of Southern California areas including Orange County, San-Bernardino Riverside, and San Diego. The agencies reported several ongoing credit needs including small loans (especially micro-loans) for small businesses, affordable housing, and training on obtaining credit. One agency reported a special need for subordinate-equity loans for small businesses that would not otherwise qualify under the Small Business Administration 504 loan program.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

To evaluate the bank’s commitment to the Community Reinvestment Act, we analyzed the performance criteria described below.

LOAN-TO-DEPOSIT RATIO

Los Angeles National Bank’s loan-to-deposit ratio is more than reasonable given its size, financial condition, and assessment area credit needs. We evaluated the quarterly average loan-to-deposit ratio over 16 quarters since the last CRA examination. The bank’s average loan-to-deposit ratio is 78%. This compares favorably with the 71% average ratio of similarly situated banks (banks with similar asset size and located in the Orange County MSA). In addition, the bank’s loan-to-deposit ratio has steadily increased from 75% in 2001 to 89% at December 2002.

LENDING WITHIN THE ASSESSMENT AREA

Los Angeles National Bank granted a substantial majority of the number and dollar volume of its loans within its defined assessment area. For this analysis, we reviewed loan data from a random sample of 40 commercial real estate and business loans since they represented the majority of the number and dollar volume of the bank’s loans.

The following table reflects the number and dollar volume of loans the bank originated or purchased inside and outside the assessment areas based on our sample.

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS January 1999 through December 2002

	Number of Loans	Percent of Total Number	Dollar Volume	Percent of Total Dollar Volume
Inside Area	32	80%	\$17,107,447	82%
Outside Area	8	20%	\$3,842,500	18%
Total Loans	40	100%	\$20,949,947	100%

LENDING TO BUSINESSES OF DIFFERENT SIZES/BORROWERS OF DIFFERENT INCOMES

Lending to businesses of different sizes in both the Los Angeles and Orange County areas reflects good penetration among businesses of different sizes, especially among small businesses. We did not analyze consumer lending to borrowers of different income levels because the bank is primarily a commercial lender, and consumer lending is not a significant activity.

Lending patterns reflect excellent penetration among businesses of different sizes within the Los Angeles defined area. We randomly sampled 20 commercial loans that the bank originated or purchased since the last examination. The bank originated a substantial majority of loans, 95% of the number and 88% of the dollar volume, to small businesses (having gross annual revenues of \$1 million or less). In addition, the percent of the number and dollar volume of the bank's loans compares very favorably with the number of small businesses in the area. We placed greater emphasis on the number of loans given that the credit needs of a greater number of businesses were served. The following table reflects lending patterns to businesses of different sizes based on our sample.

LENDING TO BUSINESSES OF DIFFERENT SIZES DISTRIBUTION BY BUSINESS SIZE LOS ANGELES AREA January 1999 through December 2002

Business Revenues	Percent of Businesses in the Area*	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
< \$1 Million	88%	19	95%	\$8,534,350	88%
> \$1 Million	12%	1	5%	\$1,130,000	12%
Total	100%	20	100%	\$9,664,350	100%

*Source: 2002 Dun & Bradstreet data

The bank also has a strong record of granting small-sized loans to businesses in the Los Angeles Area, which is an identified community credit need. The bank granted 90% of the number of loans and 68% of the dollar volume in amounts of \$1 million or less. We placed greater emphasis on the number of loans given that the credit needs of a greater number of businesses were served.

LENDING TO BUSINESSES OF DIFFERENT SIZES LOAN SIZE DISTRIBUTION LOS ANGELES AREA January 1999 through December 2002

Loan Size	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
<=\$100,000	3	15%	\$256,000	3%
>\$100,000 to \$250,000	4	20%	\$714,000	7%
>=\$250,000 to \$1 Million	11	55%	\$5,564,350	58%
Subtotal <= \$1 Million	18	90%	\$6,534,350	68%
> \$1 Million	2	10%	\$3,130,000	32%
Total	20	100%	\$9,664,350	100%

Lending patterns also reflect reasonable penetration among businesses of different sizes within the Orange County area. We randomly sampled 20 commercial loans that the bank originated or purchased since the last examination. The bank originated a substantial majority of loans, 80% of the number and 73% of the dollar volume, to small businesses (having gross annual revenues of \$1 million or less). The percent of the number and dollar volume of the bank's loans reasonably compares with the number of small businesses in the area. The following table reflects lending patterns to businesses of different sizes based on our sample.

**LENDING TO BUSINESSES OF DIFFERENT SIZES
DISTRIBUTION BY BUSINESS SIZE
ORANGE COUNTY AREA
January 1999 through December 2002**

Business Revenues	Percent of Businesses in the Area*	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
< \$1 Million	89%	16	80%	\$8,147,000	73%
> \$1 Million	11%	4	20%	\$3,019,447	27%
Total	100%	20	100%	\$11,166,447	100%

*Source: 2002 Dun & Bradstreet data

The bank also has a strong record of granting small-sized loans to businesses in the Orange County area, which is an identified community credit need. The bank granted 80% of the number of loans and 47% of the dollar volume in amounts of \$1 million or less. Again, we placed greater emphasis on the number of loans given that the credit needs of a greater number of businesses were served.

**LENDING TO BUSINESSES OF DIFFERENT SIZES
LOAN SIZE DISTRIBUTION
ORANGE COUNTY AREA
January 1999 through December 2002**

Loan Size	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
<=\$100,000	6	30%	\$419,447	4 %
>\$100,000 to \$250,000	4	20%	\$824,000	7%
>=\$250,000 to \$1 Million	6	30%	\$4,058,000	36%
Subtotal <= \$1 Million	16	80%	\$5,301,447	47%
> \$1 Million	4	20%	\$5,865,000	53%
Total	20	100%	\$11,166,447	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of loans reflects good geographic dispersion throughout the assessment area.

In the Los Angeles area, the distribution of loans compares well with area demographics. The percent of the number and dollar volume of loans in moderate-income census tracts compares very favorably with the percent of the number of businesses in those areas. The percent of the number and dollar volume of loans in low-income census tracts does not compare quite as favorably. Management explained that they are committed to lending in those areas, however, and efforts to do so are ongoing. They have found that credit needs in those areas are usually met by larger financial institutions and through various small business loan consortia. For this analysis, we randomly sampled 20 commercial loans.

The following table reflects the geographic distribution of commercial loans by census tract category in the Los Angeles area based on our sample.

GEOGRAPHIC DISTRIBUTION OF LOANS LOS ANGELES AREA January 1999 through December 2002

Census Tract Income Level	Percent of Businesses Located in Tract Category*	Number of Loans in Tract Category	Percent of Number of Loans in Tract Category	Dollar Amount in Tract Category	Percent of Total Dollar Amount in Tract Category
Low	20%	2	10%	\$1,297,500	13%
Moderate	25%	8	40%	\$2,707,850	28%
Middle	35%	7	35%	\$4,984,000	52%
Upper	20%	3	15%	\$675,000	7%
N/A**	<1%	0	0%	\$0	0%
Total	100%	20	100%	\$9,664,350	100%

*Source: 2002 Dun & Bradstreet data [**N/A: Less than 1% of area businesses are located in non-designated census tracts.]

In the Orange County area, the distribution of loans reflects excellent geographic dispersion when compared to area demographics. The percent of the number and dollar volume of loans in moderate-income census tracts compares very favorably to the percent of businesses in those areas. The percent of the number of loans in low-income census tracts also compares favorably to area demographics. We randomly sampled 20 commercial loans for this analysis.

The following table reflects the geographic distribution of commercial loans by census tract category based on our sample.

**GEOGRAPHIC DISTRIBUTION OF LOANS
ORANGE COUNTY AREA
January 1999 through December 2002**

Census Tract Income Level	Percent of Businesses Located in Tract Category*	Number of Loans in Tract Category	Percent of Number of Loans in Tract Category	Dollar Amount in Tract Category	Percent of Total Dollar Amount in Tract Category
Low	3%	2	10%	\$200,000	2%
Moderate	26%	10	50%	\$8,208,447	73%
Middle	39%	6	30%	\$2,558,000	23%
Upper	27%	1	5%	\$100,000	1%
N/A**	5%	1	5%	\$100,000	1%
Total	100%	20	100%	\$11,166,447	100%

*Source: 2002 Dun & Bradstreet data [**N/A: 61,898 area businesses are located in non-designated census tracts.]

The bank's investment in a local community development corporation (CDC) enhances the bank's record of business lending in the community. The bank is a founding member of the CDC, which was formed to provide small loans (up to \$50,000) to small and start-up businesses that might not otherwise qualify for conventional financing. This is an identified area credit need. Since the last CRA examination, the bank participated in a \$1.5 million loan pool that has funded approximately \$426,000 to 16 businesses. The bank's participation totaled \$35,000 as of our evaluation date.

RESPONSES TO COMPLAINTS

Los Angeles National Bank has received no complaints about its performance under the Community Reinvestment Act during this evaluation period.

RECORD OF COMPLIANCE WITH FAIR LENDING LAWS

We performed an analysis of public comments and consumer complaint information according to the OCC's risk-based approach to fair lending. Based on analysis of the information, the OCC determined that a comprehensive fair lending examination would not be required in connection with the CRA evaluation this year.