

PUBLIC DISCLOSURE

December 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hanmi Bank
12-06-0629-0000**

**3660 Wilshire Boulevard
Penthouse A
Los Angeles, CA 90010**

**FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94105**

NOTE: 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 Community Reinvestment Act (CRA) performance of Hanmi Bank prepared by **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of **December 8, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. These assessment area evaluations may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

SCOPE OF EXAMINATION:

TIME PERIOD REVIEWED: 11/13/96 to 12/08/97

FINANCIAL INSTITUTION	PRODUCTS REVIEWED
Hanmi Bank	Small Business

AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Not Applicable	Not Applicable	Not Applicable

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION:

ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
California: MSA 4480 Los Angeles MSA 5945 Orange Co.	On-site Off-site	Olympic, Wilshire , Downtown	

INSTITUTION

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

The institution has affirmatively addressed the credit needs of the community under the lending, investment, and service tests. Under the lending test, the distribution among geographies and the distribution to businesses of different sizes was good, a significant percentage of the bank's loans were extended within the assessment areas, and the volume of lending was responsive to the credit needs of the community. The bank's community development lending also demonstrated a commitment to meet community credit and housing needs. The bank's performance under the investment test was adequate. Although the investments lacked innovation or complexity, they were responsive to the community development needs and supported low- and moderate-income areas as well as low- and moderate-income individuals. Also, despite the lack of innovation and the limited level of community development services provided in its Orange County Assessment Area, the bank's performance under the service test was adequate. The bank's branch presence in low- and moderate-income geographies and the accessibility of the bank's retail services to low- and moderate-income people had a positive significant influence on the bank's performance under the service test.

The following table indicates the performance level of Hanmi Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS For <u>Hanmi Bank</u>		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION:

As of September 30, 1997, Hanmi Bank had total assets of \$485,214,000. The bank maintains six full-service branches, five of which are in Los Angeles County; the remaining branch is in the City of Garden Grove in Orange County. A loan production office is maintained in San Diego. Also, the bank has two automated teller machines, one at the Downtown office and one at the Western office.

Hanmi Bank offers an array of commercial and consumer loan products. Business-purpose loans include term financing, lines of credit, equipment financing, international trade financing, accounts receivable financing, U.S. Small Business Administration (SBA) guaranteed loans, construction, and business overdraft protection. Consumer loan products include unsecured, cash-secured, personal and signature lines of credit, and automobile loans.

According to the September 30, 1997 Call Report, the majority (88%) of the bank's lending was concentrated in commercial loans. The remainder of the loan portfolio was comprised of consumer loans (11%), and residential real estate loans (3%). The bank's primary focus is small business lending, mostly for loan amounts of \$100,000 or less. There were no financial or legal constraints that affected the bank's lending capacity.

Historically, Hanmi Bank has tried to meet the credit needs of the immigrant Korean community who found it difficult to access mainstream credit sources. As a result of its early affiliation with Korean business owners involved with the garment industry and international trade, Hanmi Bank is a recognized expert in these respective financing fields.

Hanmi Bank has two assessment areas, Los Angeles County and Orange County. Low- and moderate-income people live in both assessment areas. The median family income for each assessment area is significantly less than the median family income figure for the respective MSA in which the assessment area is located. Hanmi Bank's performance in its Los Angeles Assessment Area weighed more heavily than its performance in its Orange County Assessment Area for two reasons. First, the bank has more of a presence in Los Angeles where five of its six branches are located. Second, the Los Angeles Assessment Area is predominantly low- or moderate-income whereas, the Orange County Assessment Area is predominantly moderate- or middle-income. Also, the bulk of businesses located in low- and moderate-income areas can be found in the Los Angeles Assessment Area. Although Los Angeles County was considered more heavily, the bank's performance in Orange County did impact the overall ratings, particularly under the Investment Test.

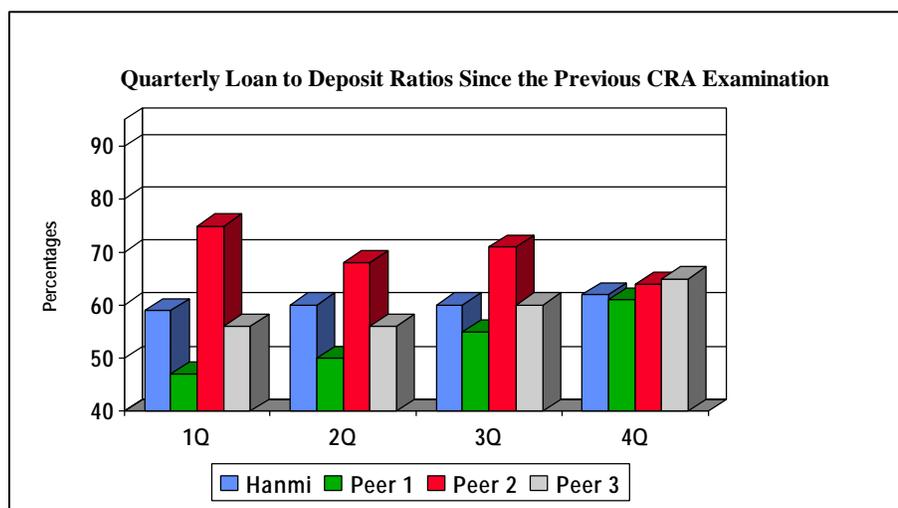
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

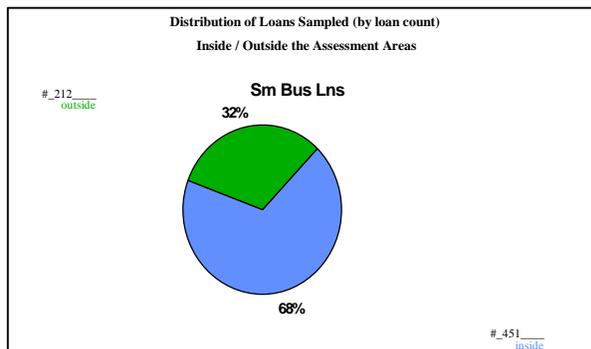
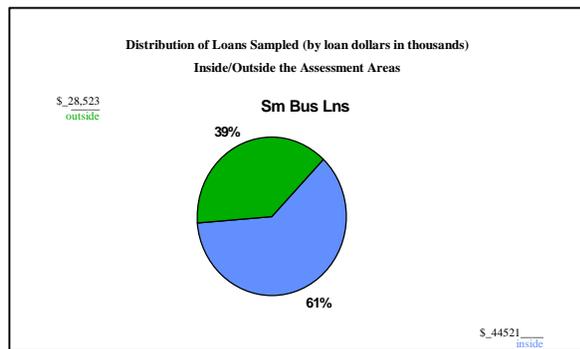
Since November 12, 1996, the bank extended 666 small business loans of which 451, totaling \$44.5 million, were within its combined assessment areas. The bank's lending reflects a good level of responsiveness to assessment area credit needs. According to information gathered from community representatives, community credit needs include loans for start up businesses, small business lines of credit, accounts receivable financing, and affordable housing loans. As demonstrated by the bank's focus, the composition of its loan portfolio is centered in business loans: commercial loans represent over 87% of the bank's total loans, as of September 30, 1997. Consumer loans and loans secured by one-to-four family residential properties represent 11% and 3% respectively, of the total loan portfolio.

Hanmi Bank's lending levels are comparable to that of its peers and have remained fairly consistent throughout the period under review. For this analysis, three local banks identified by bank management as peers were selected for comparison purposes based on their asset size, business focus, branch network, and length of time in business. A national peer was not used, as there were a sufficient number of local, similarly situated financial institutions.

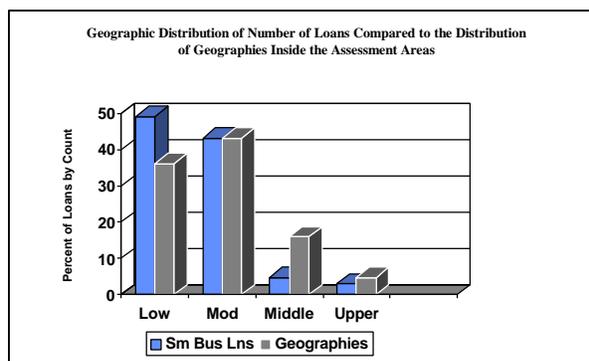
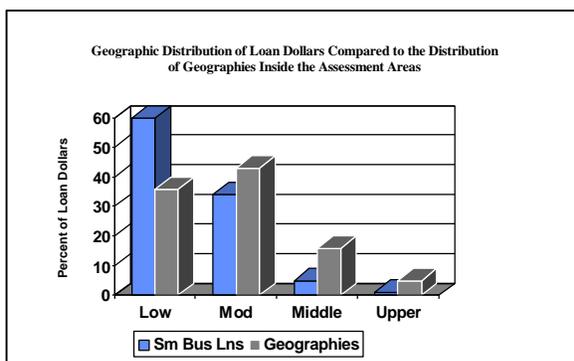
In accordance with examination procedures, the bank's average loan-to-deposit ratio was calculated using all four quarters reported since the previous examination. As illustrated in the graph below, an analysis of the four quarters shows that Hanmi Bank's loan-to-deposit ratio, averaging 60.24%, is fairly consistent and well within the range of its peer institutions. Therefore, Hanmi Bank is satisfactorily responsive in its lending levels in providing credit to the community consistent with the lending levels of its peers.



A clear majority of the bank's lending activity occurred within the bank's combined assessment areas. Since business loans comprise the majority of the bank's loan portfolio, the bank's distribution of loans was evaluated based on a sample of its small business loans. By dollar amount sampled, 61% (\$44,521M) of its small business loans were extended inside the assessment areas. By the number of loans sampled, 68% (451 of 666) of small business loans were made within the assessment area.

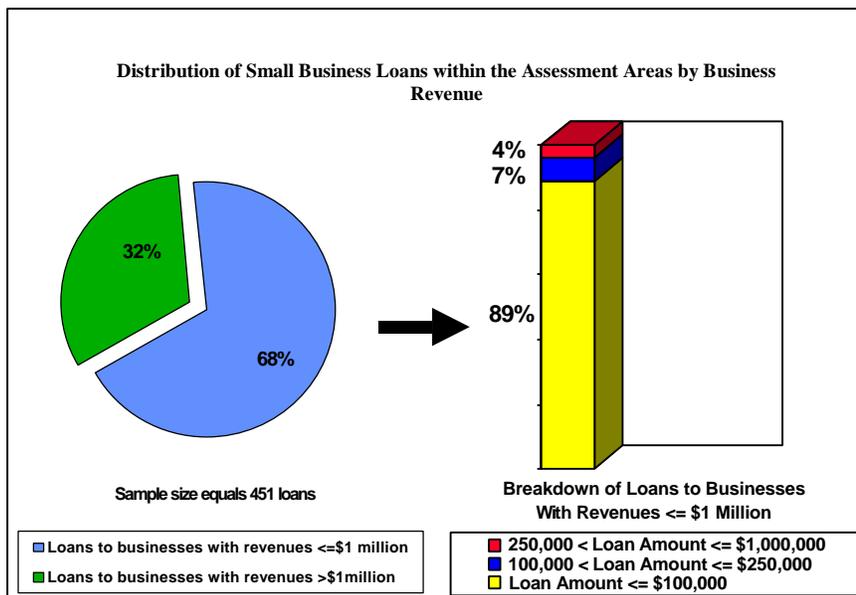


The bank's geographic distribution of loans reflects a good penetration throughout its assessment areas. Examiners validated the geographic locations of a statistical sample of the 451 small business loans originated within the bank's combined assessment areas. The results of the statistical proxy indicated that the majority of both the number and amount of loans originated in low- and moderate-income geographies. The distribution of loans is centered around the bank's branch locations, demonstrates no conspicuous lending gaps, and closely mirrors where businesses are concentrated and the percentage of census tracts by income comprising the combined assessment areas.



The distribution of borrowers reflects a good penetration among business customers of different sizes. Although the bank reported business loan data totaling 451 loans within the combined assessment areas, revenue information was not used in the credit decision in 29 cases where deposits secured the loans. In reviewing the remaining business loans

originated since the previous examination where revenue information was used, 282 (68%) of 422 were to small businesses. Also, since outside community contacts indicated the need for business loans in small dollar amounts, examiners reviewed the overall distribution of small business loans by loan amount. A substantial majority (89%) of the 282 small business loans was for original amounts of \$100K or less.



The bank exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment areas and very small businesses consistent with safe and sound banking practices. A significant majority of the bank's small business lending is within low- and moderate-income census tracts and to businesses with annual revenues of less than \$1 million. The bank has made a relatively high level of traditional community development loans. Although it has rarely used innovative or flexible lending practices, the bank is currently active in two flexible lending programs.

INVESTMENT TEST

Hanmi Bank's total qualified investments and donations total \$3,013,828 which reflects an adequate level of qualified community development investments and grants, particularly of the variety that are routinely provided by financial institutions.

The bank's total qualified investments and donations exhibit adequate overall responsiveness to credit and community economic development needs. Hanmi Bank's total CRA qualified investments and donations represent 2% of the bank's total available investment portfolio. The bank's choice of qualified investments, while meeting community needs, is substantially limited to bond purchases. The bank's specific responsiveness, measured by number and dollar volume, within its Orange County Assessment Area is poor, and no innovative or complex investments to support community development initiatives were noted at this examination. Examiners learned through outside contacts that numerous investment opportunities with non-profit organizations exist within the bank's combined assessment areas.

SERVICE TEST

RETAIL BANKING SERVICES

All of the bank's branch locations are reasonably accessible from all portions of their respective assessment areas. The bank has six full service retail offices (Wilshire, Garden Grove, Olympic, Vermont, Downtown, and Western) with its corporate headquarters and SBA Department located at the Wilshire location. With the exception of the Garden Grove Office, which is located in Orange County, all of the offices are located in and near Koreatown and downtown Los Angeles in Los Angeles County. With the exception of the Olympic Office, the branches are all located in low- or moderate-income census tracts. The bank has closed no branches during the period under review.

The hours of operation for all the bank's offices are reasonable and conveniently scheduled to allow the population served access to banking services. Moreover, the location of the bank's branches, combined with their reasonable hours of operation, demonstrates that services do not vary in a way that inconveniences certain portions of its assessment areas.

Delivery systems are reasonably accessible to essentially all portions of the bank's combined assessment areas. The bank has two proprietary automated teller machines (ATMs) located at the Western and Downtown Offices, which are located in low- and moderate-income geographies. Additionally, customers have access to shared networks, such as PLUS, INSTANT TELLER, EXCHANGE, ARCO NETWORK, and AMERICAN EXPRESS. Also, although the telephone number is not a toll-free number, the bank offers 24-hour telephone banking. Customers can inquire about account balances, deposit amounts, checks that have cleared, loan pay-off amounts, next due dates of loan payments, among other information. Customers who have personal computers have access to personal computer (PC) banking. This service allows customers to obtain statements and conduct transfers between their accounts as well as leave messages for

banking personnel; however, the bank charges a \$50 set-up fee. Direct deposit, bank by mail, and night depository services are also offered to all its customers and deposit pick-up via armored service is available to merchant customers.

COMMUNITY DEVELOPMENT SERVICES

The bank offers a limited level of community development services that enhance the assessment area by providing technical assistance and loan servicing to organizations that serve low- or moderate-income areas or individuals. Given its size, the bank has the capacity to offer more innovative services and to participate in additional community development organizations and programs, particularly in its Orange County Assessment Area.

COMPLIANCE WITH FAIR LENDING LAWS

The bank is in compliance with the anti-discrimination provisions of the Fair Housing Act (FHA) and Regulation B (Equal Credit Opportunity Act). Generally, the bank has comprehensive policies, procedures, training programs, and an internal assessment program in place to help prevent discriminatory or other illegal credit practices.

ASSESSMENT AREA

SUMMARY OF INSTITUTION'S OPERATIONS IN *Los Angeles*:

The bank maintains five full-service branches in Los Angeles County, four of which are located in low- and moderate-income geographies. The bank operates two automated teller machines, one at the Downtown Office and one at the Western Office.

DESCRIPTION OF *Los Angeles*:

The Los Angeles Assessment Area is comprised of 193 census tracts covering 12% of the total number of census tracts in Los Angeles County (1,652) Metropolitan Statistical Area (MSA). It consists mostly of low- and moderate-income census tracts and has a median family income that is significantly less than the median family income for the Los Angeles County MSA 4480. The family median income figure for MSA 4480 used to designate low, moderate, middle, and upper income census tracts is \$39,035. Of the total number of census tracts in the Los Angeles assessment area, 43% are low-, 42.5% moderate-, 8.3% middle-, and 6.2% upper-income.

Table 3 shows the census tract distribution by income categories of the Los Angeles assessment area.

Table 3

CENSUS TRACTS	LOW # (%)	MODERATE # (%)	MIDDLE # (%)	UPPER # (%)	TOTAL # (%)
Los Angeles	83 (43%)	82 (42.5%)	16 (8.3%)	12 (6.2%)	193 (100%)

Similarly, a substantial majority of the Los Angeles Assessment Area population is also low- and moderate-income. Table 3a shows the population distribution by income within the Los Angeles Assessment Area census tracts.

Table 3a

POPULATION	LOW INCOME TRACTS	MODERATE INCOME TRACTS	MIDDLE INCOME TRACTS	UPPER INCOME TRACTS	TOTAL
Los Angeles	456,052 (45.1%)	435,704 (43.1%)	70,712 (7.0%)	48,346 (4.8%)	1,010,814 (100%)

The distribution of the population within the assessment area by income level is comparable to the distribution of families living in each income level category of census tracts as shown in Table 4. A large percentage of families reside in low- and moderate-income census tracts.

Table 4

CENSUS TRACTS	LOW (%)	MODERATE (%)	MIDDLE (%)	UPPER (%)	TOTAL (%)
Los Angeles Families	85,191 (42%)	92,697 (45%)	14,524 (7%)	11,995 (6%)	204,407 (100%)

Using the number of employees as a proxy for business size, there are approximately 198 thousand businesses with fewer than 50 employees in the Los Angeles MSA¹. The bank's combined assessment areas are comprised of 58,326 businesses with a majority in the services sector (34%). Retail trade makes up (24%), wholesale trade (14%), manufacturing (11%), and finance, insurance, and real estate industries (6%), and other (11%) make up the remaining types of industries. The breakdown of total businesses within each income geography includes 48% in low-, 33% in moderate-, 11% in middle-, and 8% in upper-income geographies. A clear majority of the businesses are located in low- and moderate-income census tracts.

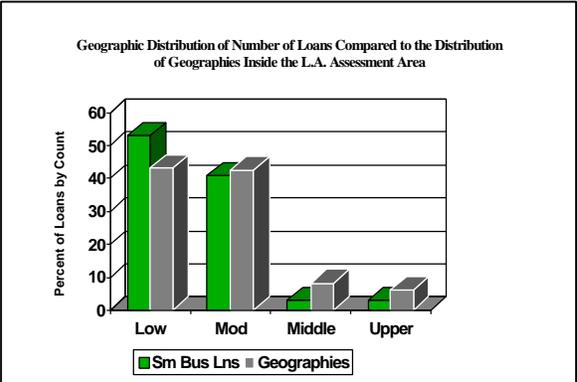
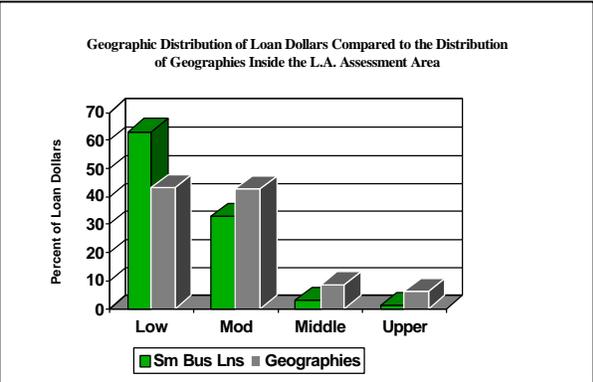
¹? Information source is 1996 CRA Geo Coding and Analysis, prepared by Bouton & Associates. Database compiled by city business license data, phone-listing data, secondary source data such as Dunn & Bradstreet, TRW, and Equifax. Information balanced to the U.S. business census.

DISCUSSION OF PERFORMANCE TESTS IN Los Angeles:

LENDING TEST

The bank’s level of loan originations within the Los Angeles Assessment Area reflects good responsiveness to assessment area credit needs. Of the 666 loans originated during the period under review, 451 loans (68%) were originated within the bank's combined assessment areas in an amount totaling \$44.5 million. Within the Los Angeles assessment area, 417 small business loans (63%) were originated in an amount totaling \$42.7 million.

The bank’s geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Of the 417 small business loans originated within the Los Angeles assessment area, 221 loans (53%) representing \$26.8 million (63%) were extended in low-income geographies and 172 loans (41%) representing \$14.2 million (33%) were extended in moderate-income geographies. This is comparable to the small business loan opportunities available to the bank as most of the small businesses within the Los Angeles Assessment Area are located in low- and moderate-income geographies. Also, the bank has demonstrated reasonable distribution of small business lending within middle- and upper-income census tracts consistent with the small business lending opportunities within those geographies.



The distribution of borrowers reflects an excellent penetration among business customers of different size. Of the 417 small business loans originated within the Los Angeles assessment area, 385 loans (92%) represent loan amounts less than or equal to \$1 million. Of that sample, 291 loans (76%) had loan amounts less than or equal to \$100M, 54 loans (14%) had loan amounts greater than \$100M but less than or equal to \$250M, and 40 loans (10%) had loan amounts greater than \$250M but less than or equal to \$1MM. This is particularly relevant given that outside community contacts indicated the need for business loans in small dollar amounts. Also, of the 417 small business loans originated, 256 loans were to businesses with annual revenues of less than \$1MM. Of that sample, 224 loans (88%) with loan amounts less than or equal to \$100M, 20 loans (8%) with loan amounts greater than \$100M but less than or equal to \$250M, and 12 loans (4%) with loan amounts greater than \$250M but less than or equal to \$1MM went to small businesses. Although at

the time of this review, the City of Los Angeles did not have a designated federal empowerment zone, it was subsequently reported in the Los Angeles Times that a federal empowerment zone encompassing parts of East and South Central Los Angeles had been awarded. Many of the low- and moderate-income census tracts within Hanmi Bank's Los Angeles Assessment Area include portions of East and South Central Los Angeles; therefore, they will be included in the newly designated empowerment zone.

The bank has made a relatively high level of community development loans. Hanmi Bank extended one loan in the amount of \$2.7 million to construct low-income housing in South Central Los Angeles. Although not yet funded, the bank was instrumental in the development of the project and has committed to two additional multi-unit construction loans in low-income areas. One is a \$1.2 million 45-unit senior housing facility and the other is a \$1.2 million 21-unit low-income town home complex. In addition, the bank extended 12 loans, totaling approximately \$4.9 million, to educational facilities providing vocational training and job placement assistance to low income individuals and to non-profit organizations that provide either health care services or community services to low- and moderate-income persons.

The bank has been a member of the Southern California Business Development Corporation (SCBDC), a for-profit multi-bank Community Development Corporation (CDC), since December 1993. Although no new loans were originated under this CDC during the period under review, Hanmi Bank maintains a portfolio of 16 loans with outstanding loan balances totaling approximately \$1.1 million.

In addition, Hanmi Bank participates with the Pacific Coast Regional Small Business Development Corporation (PCR) by providing capital and technical assistance to small businesses in the Southern California area. As of its fiscal year end, June 30, 1997, PCR initiated \$1.2 million in loans to small businesses through its partnership with the bank.

The bank continues to offer a flexible loan program for businesses with revenues under \$1 million in amounts ranging from \$2,500 to \$20,000. Applicants are required to complete an abbreviated application provided the business owner can demonstrate a minimum two-year business history at the same location; verbally affirm two years profitability; and, demonstrate a reasonably good credit history. In addition, the bank introduced a micro-loan program targeting vendors of pre-paid telephone cards referred by the Hispanic Communications Group, Inc. The vendors may receive financing up to \$1000 provided the vendors have no more than two delinquent or collection accounts.

The bank makes little use of innovative or flexible lending practices in order to serve assessment area credit needs. While the bank is active in two flexible lending programs, examiners were advised by outside community contacts of flexible loan programs in which the bank could participate that are in keeping with the bank's business strategy.

The bank's lending levels reflect good responsiveness to assessment area credit needs along with a high percentage of loans made within the Los Angeles Assessment Area. The distribution of loans throughout geographies of different income levels and to business

borrowers of different size reflects good penetration. Hanmi Bank has made a high level of community development loans. It rarely used innovative or flexible lending practices. Overall, the bank's performance met the standards for a high satisfactory rating under the Lending Test.

INVESTMENT TEST

Hanmi Bank's total qualified investments and donations represent 2% of the bank's total available investment portfolio and total over \$3 million. This reflects an adequate level of qualified community development investments and grants, particularly of the variety that are routinely provided by financial institutions. The three primary areas of investment include:

1. \$2.5 million in municipal bonds issued by the California Housing Financing Agency, the California Community Reinvestment Agency, and the Los Angeles Community Reinvestment Agency for the purpose of financing affordable housing developments in low- and moderate-income areas.
2. Guaranteed Loan Pool Certificates issued by the U.S. Small Business Administration in the amount of \$379,608 (book value). Purchase dates range from July 1986 through November 1987, with maturity dates of July 2001 through August 2002. Loan funds are pooled from participating investors and utilized for small business funding.
3. As a member of the Southern California Business Development Corporation (SCBDC), a for-profit multi-bank Community Development Corporation (CDC), the bank maintains a \$40,000 equity investment.

In addition to these three qualified investments, the bank made qualified donations and grants totaling \$44,300 to various community organizations including the Korean Youth and Community Center, the Korean Health Education, Information and Resource Center, Operation Hope, Hancock Urban Development Corporation, and the LA Opportunities Industrial Center. Included in the bank's qualified donations were 20 computers provided to various non-profit organizations and valued at \$8,000.

Examiners learned through outside contacts that numerous additional investment opportunities with non-profit organizations exist within the bank's Los Angeles Assessment Areas. The bank's qualified investments, while meeting community needs, are substantially limited to bond purchases. Although no innovative or complex investments to support community development initiatives were noted at this examination, the bank's level of qualified investments and donations exhibit adequate overall responsiveness to credit and community economic development needs.

SERVICE TEST

RETAIL BANKING SERVICES

All of the bank's branch locations within the Los Angeles Assessment Area are reasonably accessible to all portions of the assessment area. The bank has five full service retail offices (Wilshire, Olympic, Vermont, Downtown, and Western) with its corporate headquarters and SBA Department located at the Wilshire location. All of the offices are located in and near Koreatown and downtown Los Angeles in Los Angeles County. Also, with the exception of the Olympic office, the branches are all located in low- or moderate-income census tracts. The bank has closed no branches during the period under review.

The hours of operation for all the bank's offices are reasonable and conveniently scheduled to allow convenient access to banking services. The location of the bank's branches, combined with their reasonable hours of operation, demonstrates that services do not vary in a way that inconveniences certain portions of its assessment area, particularly low- and moderate-income geographies or individuals. With the exception of the Wilshire Office, lobby hours are 9:00 AM to 4:00 PM from Monday through Thursday with walk-up window hours from 4:00 PM to 5:00 PM. Banking hours on Fridays from 10:00 AM to 6:00 PM with walk-up window hours of 9:00 AM to 10:00 AM. The walk-up windows for the offices are accessible from the parking lot or are located in the building's lobby. All offices are open on Saturdays from 9:00 AM to 1:00 PM. The Wilshire office is the only office without a walk-up window because building management did not allow a walk-up window to open into the building's lobby. The Wilshire office does not have its own parking lot but shares a public parking structure with the building tenants.

Delivery systems are reasonably accessible to essentially all portions of the bank's combined assessment areas.

COMMUNITY DEVELOPMENT SERVICES

The bank offers limited community development services that enhance the assessment area. The bank provides technical assistance and loan servicing to organizations that serve low- or moderate-income areas or individuals. Given its size and resources, however, the bank has the capacity to offer more innovative services and to participate in additional community development organizations and programs. To determine this, examiners reviewed a list of community development services provided by the bank to determine whether the services met the CRA definition of community development. Examiners compared this list to community development service opportunities available within the assessment area, which examiners obtained from outside community contacts.

An officer of the bank's Western office is a member of the advisory committee for the Pacific Coast Regional Corporation (PCR), a small business development corporation. PCR is a private, non-profit corporation founded in 1977, to assist small business owners become successful members of the California business community. Through contracts with the State of California and partnerships with private institutions, PCR provides financial and educational assistance and up to a 90% guarantee of financial instruments for small businesses. The State of California has established a pool of funds to induce banks to

make small business loans. These funds are used to guarantee up to 90% of a loan made by a financial institution. Small business owners located within disadvantaged areas in the State of California can use PCR. PCR's loan program includes loan guarantees, micro-loan guarantees, bond guarantees, small business bridge loans, energy conservation loans and hazardous waste reduction loans.

Also, an officer from the Olympic office is a member of the loan committee for the Hancock Urban Development Corporation. Incorporated in 1982, the Hancock Urban Development Corporation (Hancock) is a private non-profit corporation that assists small businesses in becoming successful members of the California business community.

Hancock administers the State of California Small Business Guarantee Program within disadvantaged areas from Santa Barbara to San Diego. Under this program, the state guarantees up to 90% of a small business loan originated by a private lender. Loans may be used for accounts receivable, inventory, equipment purchase, bonds, leasehold improvements, facilities acquisition, contract financing and start-up and expansion. The guarantee may be used on short and long term and floating loans and direct lines of credit.

One of the bank's international loan officers provides administrative expertise as a member of the advisory committee for the Hanin Federal Credit Union, a relatively small minority-owned institution, with members located in Koreatown and the metropolitan Los Angeles area.

As a member of the Board of Directors of the Crenshaw Chamber of Commerce, an officer of the Vermont Branch provides guidance in the promotion and development of the small business community in the Crenshaw district of Los Angeles. In particular, the officer provides technical expertise on SBA financing.

Since January 1997, two officers from the Downtown Office served every other week in a Bankers Rotational Program through the Community Financial Resource Center (CFRC). Responsibilities included reviewing business plans and providing technical assistance, including Spanish language translation, relating to the loan process. The CFRC is located in South Central Los Angeles and provides financial assistance programs to businesses, residents and consumers in the community by referring loans to local banks. The CFRC also provides a place where people from the surrounding areas can meet to discuss financial assistance with bankers and counselors in getting a loan. The strategy of the CFRC is to emphasize a "One Stop" source of financial services and products, consumer education programs and resource information. Using local area experts and Community Based Organizations (CBOs), it provides the following:

- small business expansion and start-up lending
- small business and start-up technical assistance and education
- first-time home ownership and rehabilitation financing
- first-time home ownership education
- consumer education regarding banking and credit

The CBOs provide the resources, offering services at a central location within a “customer” oriented venue. In addition to the CBOs, the participating financial institutions market their own product and services from the CFRC on a rotational basis. The combination of the CBOs providing technical assistance and education programs, and the integration of financial institution rotation and product marketing allows the CFRC to maintain an ongoing CRA presence in the South Central Los Angeles community.

In July 1997, the bank co-hosted, with Pacific Bell, a Korean Small Business Seminar for 85 minority small business owners. The branch manager of the Wilshire Office was a featured speaker at the event that provided technical assistance with the commercial loan application process.

In conjunction with Operation Hope, an officer from the bank’s SBA loan department participated in an information lending seminar for South Central Los Angeles business owners on SBA loan products. Operation Hope, Inc., a 501(c) California non-profit organization was formed in May 1992 following the civil unrest of April 29, 1992 in Los Angeles. The organization is committed to the revitalization and long-term sustenance of underserved communities and serves as a national voice for minority and urban economic empowerment. Funding is received from member dues generated from financial institutions and from public and private grants. Operation Hope’s primary service area is South Central Los Angeles, but the organization also serves other underserved communities. Its many programs consist of residential lending, home ownership education, home ownership and consumer counseling, small business and commercial lending, and providing access to inner-city computer labs, business technical assistance and mini-grants.

Two officers from the Olympic and Western branches provide technical assistance to customers through the Korean Youth & Community Center (KYCC) to generate micro-loans for Los Angeles Community Development Bank’s small business loan program. The KYCC is a non-profit organization that serves recently immigrated, economically disadvantaged Korean youth, their families and the multi-ethnic community of Koreatown and greater Los Angeles. KYCC seeks to:

- develop positive identity and leadership among youth,
- enhance inter-generational relationships among Korean Americans,
- facilitate community socio-economic empowerment, and
- facilitate constructive inter-ethnic community relations

The bank’s Olympic office continues to provide free servicing on five loans totaling \$115,000, which were originated through the KYCC’s Microloan Program. Services include providing billing statements, interest accrual, and receiving and processing loan payments. Also, the Wilshire office maintains two service charge free deposit accounts for El Rescate, a Hispanic Federal Credit Union.

The bank has delivery systems to ensure that its retail services are accessible to essentially all portions of the bank’s Los Angeles Assessment Area. These retail services do not vary in a way that inconveniences certain portions of the assessment area,

particularly low- and moderate-income geographies or individuals. In addition, the bank provides an adequate level of community development services.

ASSESSMENT AREA

SUMMARY OF INSTITUTION'S OPERATIONS IN *Orange County*:

The bank maintains one full-service branch in the city of Garden Grove in Orange County. This branch is located in a moderate-income census tract.

DESCRIPTION OF *Orange County*:

The Orange Assessment Area is comprised of 44 census tracts consisting of the cities of Garden Grove and Stanton and comprising 9% of the total number of census tracts in the Orange County 5945 MSA. It consists mostly of moderate- and middle-income census tracts and has a median family income that is significantly less than the median family income for the Orange County MSA. The MSA family median income figure used to designate low-, moderate-, middle-, and upper-income census tracts is \$51,269. The median family income for the bank's assessment area in Orange County is \$41,138.

Of the total number of census tracts in the Orange County assessment area, 2.3% are low-, 47.7% moderate-, 47.7% middle-, and 2.3% upper-income. Tables 5 shows the census tract distribution by income categories of the Orange County assessment area.

Table 5

CENSUS TRACTS	LOW # (%)	MODERATE # (%)	MIDDLE # (%)	UPPER # (%)	TOTAL # (%)
Orange County	1 (2.3%)	21 (47.7%)	21 (47.7%)	1 (2.3%)	44 (100%)

Table 5a shows the population distribution by income within the Orange County Assessment Area census tracts.

Table 5a

POPULATION	LOW INCOME TRACTS	MODERATE INCOME TRACTS	MIDDLE INCOME TRACTS	UPPER INCOME TRACTS	TOTAL
Orange County	4,990 (2.4%)	110,701 (52.8%)	89,208 (42.5%)	4,762 (2.3%)	209,661 (100%)

The distribution of the population within the assessment area by income is comparable to the distribution of families living in each income level category of census tract. As shown in Table 6, a large percentage of families reside in moderate- and middle-income census tracts.

Table 6

CENSUS TRACTS	LOW # (%)	MODERATE # (%)	MIDDLE # (%)	UPPER # (%)	TOTAL # (%)
Orange County Families	1,065 (2%)	24,845 (50%)	22,373 (45%)	1379 (3%)	49,662 (75.7%)

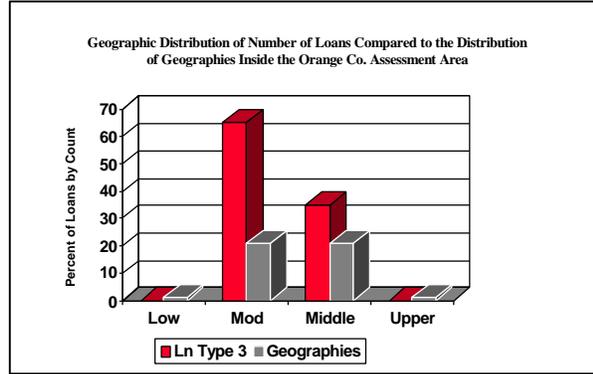
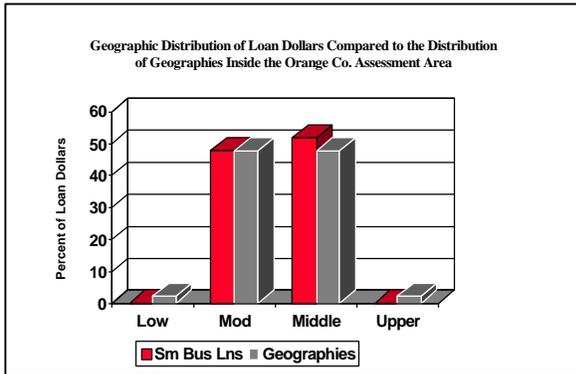
Using the number of employees as a proxy for business size, the Orange County MSA contains 65 thousand businesses with fewer than 50 employees. The bank’s combined assessment areas are comprised of 58,326 businesses with a majority in the services sector (34%). Retail trade makes up (24%), wholesale trade (14%), manufacturing (11%), and finance, insurance, and real estate (6%) industries, and other (11%) make up the remaining types of industries. The breakdown of total businesses within each income geography includes 48% in low-, 33% in moderate-, 11% in middle-, and 8% in upper-income geographies.

DISCUSSION OF PERFORMANCE TESTS IN Orange County:

LENDING TEST

Hanmi Bank has demonstrated an adequate responsiveness to assessment area credit needs given the bank’s single branch representation. Within the Orange County assessment area, 34 small business loans (5%) were originated in an amount totaling \$1.8 million.

The bank’s geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Of the 34 small business loans originated within the Orange County assessment area, 22 small business loans (65%) representing \$864 thousand (48%) were extended in moderate-income geographies and 12 loans (35%) representing \$925 thousand (52%) were extended in middle-income geographies. There were no small business loans extended in either low- or upper-income geographies within this assessment area. This is not significant given the relatively few small businesses located in either low- or upper-income geographies within the Orange County Assessment Area.



The distribution of borrowers, given the product lines offered by the bank, reflects excellent penetration among business customers of different size. Examiners evaluate this by analyzing the size of the loans and the revenue levels of the business borrowers. Of the 34 small business loans originated within the Orange County assessment area, 32 loans (94%) represent loan amounts less than or equal to \$1 million. Of that sample, 30 loans (94%) were loan amounts less than or equal to \$100M and 2 loans (6%) were loan amounts greater than \$250M but, less than or equal to \$1MM. This demonstrated that the substantial majority of the bank's loans are less that \$100 thousand, which is a credit need identified by outside community contacts. Similarly, of the 34 small business loans originated, 26 loans were to businesses with annual revenues of less than \$1MM. Of that sample, 26 loans (100%) with loan amounts less than or equal to \$100M went to small businesses.

The bank continues to offer a flexible loan program for businesses with revenues under \$1 million in amounts ranging from \$2500. to \$20,000. Applicants are required to complete an abbreviated application provided the business owner can demonstrate a minimum two-year business history at the same location; verbally affirms two years profitability; and, demonstrate a reasonably good credit history. In addition, the bank introduced a micro-loan program targeting vendors of pre-paid telephone cards referred by the Hispanic Communications Group, Inc. The vendors may receive financing up to \$1000 provided the vendors have no more than two delinquent or collection accounts.

The bank makes little use of innovative or flexible lending practices in order to serve assessment area credit needs. While the bank offers two flexible lending programs, examiners were advised of numerous additional flexible loan programs in which the bank could participate that are in keeping with the bank's business strategy.

The bank's lending levels reflect good responsiveness to assessment area credit needs along with a high percentage of loans made within the Orange County Assessment Area. The distribution of loans throughout geographies of different income levels and to business borrowers of different size reflects good penetration. On a limited basis, the bank used innovative or flexible lending practices in the Orange County Assessment Area. Overall,

the bank's performance met standards for a satisfactory rating under the Lending Test.

INVESTMENT TEST

Based on volume, the bank's one qualified investment within the Orange County Assessment Area exhibits very poor responsiveness to credit and community economic development needs. Although beneficial, the qualified investment does not demonstrate innovation or complexity in support of community development initiatives. The bank made an equity investment of \$20,000 to the Orange County Clearinghouse Community Development Financial Institution (CDFI) to originate from or benefit either the low- and moderate- income geographies or the low- and moderate-income residents of the Orange County assessment area. The CDFI is a for-profit corporation that helps to fulfill the unmet credit needs in Orange County through the provision of direct loans for affordable housing projects and other qualified community development activities. This is accomplished through the leveraging of CDFI loan funds by conventional lenders affiliated with the corporation.

SERVICE TEST

RETAIL BANKING SERVICES

The bank has one branch in the Orange County assessment area and it is reasonably accessible from all portions of the assessment area. The branch is located in moderate-income census tract 0887.02 in the City of Garden Grove. The bank has neither opened nor closed any branches during the period under review.

Delivery systems are reasonably accessible to essentially all portions of the bank's assessment area. The Garden Grove Branch does not have a proprietary ATM since a survey conducted by the bank revealed limited use by its customers. However, customers have access to shared networks, such as PLUS, INSTANT TELLER, EXCHANGE, ARCO NETWORK, and AMERICAN EXPRESS.

The location of the Garden Grove Branch, combined with its reasonable hours of operation, demonstrates that services do not vary in a way that inconveniences certain portions of the Orange County assessment area, particularly low- and moderate-income geographies or individuals.

COMMUNITY DEVELOPMENT SERVICES

The bank provides only one community development service in this assessment area through its involvement with the Orange County Clearinghouse CDFI. Beginning in October 1997, a bank officer from the bank's Garden Grove Branch became an interim member of the CDFI's loan committee.

Through its involvement with the Orange County Clearinghouse CDFI, the bank minimally provides community development services within this assessment area.