

# **PUBLIC DISCLOSURE**

**February 23, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Cathay Bank  
18503**

**777 North Broadway  
Los Angeles, California 90013**

**Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square  
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 **Cathay Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 23, 2004**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the 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 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated *Satisfactory*.

### Lending

- The institution's lending levels reflect good responsiveness to the credit needs of the assessment areas.
- A substantial majority of the institution's loans were made within the assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes.
- The institution exhibits an overall good record of serving the credit needs of the most economically disadvantaged areas of the assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The institution is a leader in making community development loans.
- The bank makes use of flexible lending practices to serve the credit needs of homeowners, small businesses, and others that have not traditionally had easy access to credit.

### Investments

- The bank has an excellent level of qualified community development investment and grants.
- The bank's level of qualified community development investments and grants reflects an excellent responsiveness to credit and community economic development needs.
- The bank makes significant use of complex investments to support community development initiatives.

### Services

- The institution's branch locations, banking hours, and alternative delivery systems are reasonably accessible to essentially all portions of its assessment areas, including LMI geographies and individuals.

**Services (continued)**

- The bank operates 24 full service branches throughout its assessment areas. To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate- income geographies and/or individuals.
- The bank provides a limited level of community development services.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE:**

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

Table 1

| <b>PERFORMANCE LEVELS</b> | <b>Cathay Bank</b>       |                        |                     |
|---------------------------|--------------------------|------------------------|---------------------|
|                           | <b>PERFORMANCE TESTS</b> |                        |                     |
|                           | <b>Lending Test</b>      | <b>Investment Test</b> | <b>Service Test</b> |
| Outstanding               |                          | X                      |                     |
| High Satisfactory         | X                        |                        |                     |
| Low Satisfactory          |                          |                        |                     |
| Needs to Improve          |                          |                        | X                   |
| Substantial Noncompliance |                          |                        |                     |

## **DESCRIPTION OF INSTITUTION:**

Cathay Bank (CB) is a commercial bank headquartered in Los Angeles, California. CB is wholly owned by Cathay General Bancorp (formerly Cathay Bancorp, Inc.), a one-bank holding company. The bank was incorporated under the laws of the State of California on August 22, 1961, and commenced operations on April 19, 1962. The bank operates 20 branch offices in California, 3 branch offices in New York, and 1 branch office in Texas. Since the last evaluation, the bank opened two branch offices in California, one branch office in New York, and one branch office in Texas. Refer to the Service Test section of the evaluation for detailed location information of all branch offices.

The bank has two wholly owned subsidiaries. Cathay Investment Company (CIC) was formed in 1984 to invest in real property. In 1987, CIC opened an office in Taipei, Taiwan to promote Taiwanese real estate investments in Southern California. Cathay Securities Fund, Inc. (CSFI) is a registered investment company. It was formed in 2000 to engage in the business of investing in, owning, and holding loans and securities.

On October 20, 2003, GBC Bancorp merged into Cathay Bancorp, Inc., creating Cathay General Bancorp. As a result, General Bank, a commercial bank headquartered in Los Angeles, California with total assets of \$2.4 billion, merged into Cathay Bank. General Bank had 21 branch offices of which 18 were in California, 2 in Massachusetts, and 1 in Washington. General Bank received a Satisfactory CRA rating at its last evaluation dated December 10, 2001. Given that the merger occurred late in 2003, this evaluation only considers Cathay Bank's lending, investment, and service activities.

Cathay Bank offers a comprehensive range of private and business financial services. CB is primarily a commercial lender serving the financial needs of small- and medium-sized businesses. Commercial lending products include commercial real estate, Small Business Administration (SBA), lines of credit, international banking, trade financing, and asset based lending. The bank also offers various residential mortgage and consumer loan products. However, while home mortgage purchase and refinance loans are offered, they are not considered a major product line of the bank and are not regularly promoted.

As of September 30, 2003, CB had total assets of \$3,197,726,000 and total loans of \$2,090,970,000, which represents 65.4 percent of the bank's total assets. Total deposits were \$2,588,475,000. As shown in Table 2 on the following page, the volume of loans secured by Commercial Real Estate, Commercial and Industrial, and Construction and Land Development loans account for 51.1 percent, 22.7 percent, and 7.7 percent of total loans, respectively. Residential Real Estate, Multi-family, and consumer loans account for 13.4 percent, 5.1 percent, and 0.5 percent, respectively. The bank's loan portfolio mix is representative of its business strategy and focus, which emphasizes the origination of loans primarily for business purpose.

| <b>Table 2-Loan Portfolio Distribution as of September 30, 2003</b> |                             |                                   |
|---|-----------------------------|-----------------------------------|
| <b>Loan Type</b>  | <b>Dollar Amount (000s)</b> | <b>Percent of Total Loans (%)</b> |
| Construction and Land Development                                   | 157,585                     | 7.5                               |
| Revolving Open-end 1-4 Family Residential                           | 89,412                      | 4.3                               |
| Closed-end 1-4 Family Residential First Lien                        | 184,077                     | 8.8                               |
| Closed-end 1-4 Family Residential Junior Lien                       | 6,202                       | 0.3                               |
| Multi-family Residential  | 106,706                     | 5.1                               |
| Commercial Real Estate  | 1,067,620                   | 51.1                              |
| <b>Total Real Estate Secured</b>                                    | <b>1,611,602</b>            | <b>77.1</b>                       |
| To other banks in foreign countries                                 | 508                         | 0                                 |
| Commercial and Industrial loans                                     | 474,588                     | 22.7                              |
| Other Revolving Credit Plans  | 17                          | 0                                 |
| Other Consumer Loans  | 9,407                       | 0.5                               |
| Other Loans   | 138                         | 0                                 |
| Less: Any Unearned Income on Loans                                  | (5,290)                     | -0.3                              |
| <b>Total Loans and Leases</b>                                       | <b>2,090,970</b>            | <b>100.0%</b>                     |

*Source: September 30, 2003 Consolidated Reports of Income and Condition*

There are no legal impediments or financial constraints that would preclude the bank from reasonably meeting the credit needs of its assessment areas. Earnings, capital, and liquidity have been sufficient to support the bank's lending activity. Cathay Bank's loan-to-deposit ratio (LTD) as of September 30, 2003, was approximately 80.0 percent. CB has maintained a consistently high LTD ratio since the last evaluation of approximately 78.0 percent. The ratio reflects a good responsiveness to assessment area credit needs. The banking environment is highly competitive in all five assessment areas, particularly in the California and New York assessment areas.

The bank was evaluated as a large bank and received a "Satisfactory" rating in its last Public Evaluation dated January 22, 2001. A review of FDIC records, as well as the bank's CRA Public File, revealed two protests from community groups regarding the bank's merger with General Bank. Examiners noted no other CRA related complaints.

## **DESCRIPTION OF ASSESSMENT AREA**

### **Scope of Evaluation**

Cathay Bank operates a multi-state network of 24 full service branches, including the main office, within five assessment areas. These areas consist of (1) the counties of Los Angeles, Orange, Riverside and San Bernadino in Southern California; (2) the counties of Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara in Northern California; (3) Sacramento County, in Northern California; (4) the counties of King, Queens, and New York in Southeastern New York; and (5) Harris County in Southern Texas. Approximately 96 percent by number and 93 percent by dollar volume of the bank's total lending activities within its combined assessment areas occurred within the three California assessment areas (AAs).

All four counties in the Southern California assessment area are in the Los Angeles-Long Beach-Riverside Combined Statistical Area (CSA)-348 (Los Angeles AA). The five counties in the Northern California assessment area are within the San Jose-San Francisco-Oakland CSA-488 (San Francisco AA). Sacramento County is within the Sacramento-Arden-Arcade-Roseville, CA Metropolitan Statistical Area (MSA) – 40900 (Sacramento AA). The three counties in New York are within the New York-Newark-Edison, NY-NJ-PA Metropolitan Statistical Area – 35620 (New York AA). Harris County, Texas, is within the Houston-Baytown-Sugar Land, TX MSA – 26420 (Harris County AA).

Changes since the prior CRA evaluation include the expansion of the New York AA through the addition of the Brooklyn branch in Kings County on June 21, 2002, the addition of the Sacramento AA through the opening of the Sacramento, California branch on September 9, 2002, and the addition of the Texas AA through the opening of the Houston branch on December 20, 2000.

The Los Angeles and San Francisco AAs were reviewed on- and off-site, respectively, using full scope Large Bank CRA evaluation procedures. These areas account for 95.6 percent by number and 92.4 percent by dollar volume of the total loans extended by the bank in all assessment areas combined. The bank's activities in the Los Angeles and San Francisco AAs are weighted most heavily in this evaluation, given that these areas contain a high percentage of the bank's offices, lending, and investment activity. The New York and Texas assessment areas were reviewed off-site using full scope examination procedures. Limited scope procedures were conducted using off-site data analysis for the Sacramento assessment area. The assessment areas consist of whole census tracts, do not arbitrarily exclude any low- and moderate-income census tracts, and reflect no illegal discrimination.

Loans reported pursuant to the Home Mortgage Disclosure Act (HMDA) and Community Reinvestment Act data collection requirements for 2002 and 2003 were included in the review. In addition, the bank opted to report consumer loans for 2002 and 2003, which are also included in the analysis. The review was limited to loan originations since the bank has not purchased any loans. All aggregate lending data used in the analysis is for the year 2002. Aggregate lending data for 2003 was not available.

The FFIEC tables within Appendix F, G, H, I, J, and K<sup>1</sup> starting on page 92 reflects the total lending activities in the broad category of mortgage lending, which is comprised of four separate loan types: purchase, refinance, home improvement loans, and multi-family. Separate analyses of the bank's HMDA lending activities on a product-by-product basis reveal that home mortgage refinance and home purchase loans comprise 79.3 percent of total HMDA loans originated during the period of review. Home Improvement and multi-family loans comprise 6.3 percent and 14.4 percent, respectively of total HMDA reportable loans. Home mortgage refinance, home purchase, multi-family, small business, and consumer loans are considered throughout this evaluation. Home Improvement loan activities are nominal and only considered in the concentration of loans within the combined assessment area analysis.

Consumer lending is comprised of five separate loan types: home equity, motor vehicle, credit card, secured, and unsecured. Separate analyses of the bank's consumer lending on a product-by-product basis reveal that home equity loans comprise 68.5 percent by number and 81.8 percent by dollar volume of total consumer loans for the period of review.

### **Demographic Data**

Demographic information presented in this evaluation is based on both 1990 and 2000 Census data. For all lending activity that occurred in 2002, the report refers to demographic data based on 1990 Census data. For all lending activity that occurred in 2003, demographic data is based on 2000 Census data.

The combined assessment areas based on 1990 Census demographics contain 5,976 census tracts (531 low-, 1,326 moderate-, 2,211 middle-, 1,693 upper-income, and 215 with no income). Low- and moderate-income (LMI) census tracts account for 8.9 percent and 22.2 percent, respectively, of the total number of tracts in the combined assessment areas. The total population for the combined assessment area is 26,927,553.

The combined assessment areas based on 2000 Census demographics contain 6,914 census tracts (564 low-, 1,905 moderate-, 2,306 middle-, 2,070 upper-income, and 69 with no income). LMI census tracts account for 8.2 percent and 27.6 percent, respectively, of the total number of tracts in the combined assessment areas. The total population for the combined assessment area is 31,444,439, a 16.8 percent increase since 1990.

Inasmuch as each assessment area is different economically, no attempt was made to provide a narrative description of the economic conditions that prevail in the institution's combined assessment area. Rather, a narrative description of the economic characteristics of each of the bank's five assessment areas is provided within their respective sections in this evaluation. However, the following tables provides a summary of the 1990 and 2000 census demographics and housing information within the bank's combined assessment area. Refer to each assessment area and tables in Appendix F, G, H, I, J and K for additional demographic information.

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<sup>1</sup> The FFIEC has adopted a standard set of data tables, sequentially numbered 1-15, for use in every Large Bank CRA Public Evaluation. Refer to the Appendices for specific information.

| <b>Table 3 - Selected Housing Characteristics by Income Category of the Geography</b> |                          |                         |                          |                            |                         |                         |
|---|--------------------------|-------------------------|--------------------------|----------------------------|-------------------------|-------------------------|
| <b>Geographic<br/>Income<br/>Category</b>   | <b>Percentage</b>        |                         |                          |                            |                         |                         |
|   | <b>Census<br/>Tracts</b> | <b>House-<br/>holds</b> | <b>Housing<br/>Units</b> | <b>Owner-<br/>Occupied</b> | <b>Rental<br/>Units</b> | <b>Vacant<br/>Units</b> |
| <b>Low</b>  | 8.9                      | 7.6                     | 7.8                      | 2.5                        | 12.0                    | 11.4                    |
| <b>Moderate</b>   | 22.2                     | 22.6                    | 22.8                     | 15.0                       | 29.4                    | 26.2                    |
| <b>Middle</b>   | 37.0                     | 39.2                    | 38.9                     | 41.4                       | 37.3                    | 33.9                    |
| <b>Upper</b>  | 28.3                     | 30.6                    | 30.4                     | 41.1                       | 21.3                    | 28.5                    |
| <b>\$0/NA<br/>Income</b>  | 3.6                      | 0.0                     | 0.1                      | 0.0                        | 0.0                     | 0.0                     |
| <b>Total</b>  | <b>100.0</b>             | <b>100.0</b>            | <b>100.0</b>             | <b>100.0</b>               | <b>100.0</b>            | <b>100.0</b>            |

Source: U.S. Census 1990

| <b>Table 4 - Selected Housing Characteristics by Income Category of the Geography</b> |                          |                         |                          |                            |                         |                         |
|---|--------------------------|-------------------------|--------------------------|----------------------------|-------------------------|-------------------------|
| <b>Geographic<br/>Income<br/>Category</b>   | <b>Percentage</b>        |                         |                          |                            |                         |                         |
|   | <b>Census<br/>Tracts</b> | <b>House-<br/>holds</b> | <b>Housing<br/>Units</b> | <b>Owner-<br/>Occupied</b> | <b>Rental<br/>Units</b> | <b>Vacant<br/>Units</b> |
| <b>Low</b>  | 8.2                      | 6.8                     | 6.9                      | 2.3                        | 11.2                    | 9.2                     |
| <b>Moderate</b>   | 27.6                     | 26.5                    | 26.7                     | 18.4                       | 34.4                    | 30.2                    |
| <b>Middle</b>   | 33.4                     | 34.3                    | 34.2                     | 36.9                       | 31.9                    | 31.2                    |
| <b>Upper</b>  | 29.8                     | 32.3                    | 32.2                     | 42.4                       | 22.5                    | 29.3                    |
| <b>\$0/NA<br/>Income</b>  | 1.0                      | 0.1                     | 0.0                      | 0.0                        | 0.0                     | 0.1                     |
| <b>Total</b>  | <b>100.0</b>             | <b>100.0</b>            | <b>100.0</b>             | <b>100.0</b>               | <b>100.0</b>            | <b>100.0</b>            |

Source: U.S. Census 2000

The bank's combined assessment area has over 2.5 million licensed small businesses. Approximately 32.7 percent of the businesses are in middle-income census tracts, which is consistent with the make-up of the local communities. Commercial lending opportunities appear to be available in all census tracts of the assessment areas with the exception of low-income geographies.

## **Community Contacts**

During the course of the evaluation, examiners conducted five community contacts and reviewed four recent community contacts to determine the credit needs in Cathay Bank's major assessment areas. Refer to each assessment area for specific community contact comments.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

No substantive violations of the antidiscrimination laws were identified.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

### LENDING TEST

#### Lending Activity

Cathay Bank's overall lending levels reflect a good responsiveness to community credit needs considering the bank's business strategy, volume of lending, and competition. A substantial majority of loans were made in the bank's combined assessment areas. The geographic distribution of loans reflects good penetration throughout the assessment areas. The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. A majority of small business loans was extended for amounts of \$250,000 and less. The distribution of consumer loans reflects adequate penetration. The bank is a leader in making community development loans. This overall conclusion is based on a variety of performance context issues that affect the individual conclusions within the separate assessment areas. Therefore, additional facts and data supporting this overall conclusion are presented within the different assessment area conclusions of this performance evaluation. Refer to tables in Appendix F, G, H, I, J and K for additional data used to evaluate CB's lending performance.

#### Lending in Assessment Area

As illustrated in the following table, a substantial majority of loans were made in the bank's assessment areas. Specifically, 97.1 percent by number and 95.5 percent by dollar volume were granted within the combined assessment areas.

| Table 5 - Distribution of Loans Inside and Outside of the Assessment Area Table |                 |             |           |            |              |                         |             |               |            |                |
|---|-----------------|-------------|-----------|------------|--------------|-------------------------|-------------|---------------|------------|----------------|
| Loan Category or Type   | Number of Loans |             |           |            |              | Dollars in Loans (000s) |             |               |            |                |
|   | Inside          |             | Outside   |            | Total        | Inside                  |             | Outside       |            | Total          |
|   | #               | %           | #         | %          |              | \$                      | %           | \$            | %          |                |
| Home Mortgage Loans   |                 |             |           |            |              |                         |             |               |            |                |
| 2002  | 354             | 95.4        | 17        | 4.6        | 371          | 120,633                 | 96.4        | 4,447         | 3.6        | 125,080        |
| 2003  | 410             | 93.8        | 27        | 6.2        | 437          | 142,375                 | 88.6        | 18,285        | 11.4       | 160,660        |
| <b>Subtotal</b>   | <b>764</b>      | <b>94.6</b> | <b>44</b> | <b>5.4</b> | <b>808</b>   | <b>263,008</b>          | <b>92.0</b> | <b>22,732</b> | <b>8.0</b> | <b>285,740</b> |
| Small Business  |                 |             |           |            |              |                         |             |               |            |                |
| 2002  | 639             | 100.0       | 0         | 0.0        | 639          | 193,864                 | 100.0       | 0             | 0.0        | 193,864        |
| 2003  | 549             | 95.1        | 28        | 4.9        | 577          | 196,067                 | 94.4        | 11,692        | 5.6        | 207,759        |
| <b>Subtotal</b>   | <b>1,188</b>    | <b>97.7</b> | <b>28</b> | <b>2.3</b> | <b>1,216</b> | <b>389,931</b>          | <b>97.1</b> | <b>11,692</b> | <b>2.9</b> | <b>401,623</b> |
| Consumer Loans  |                 |             |           |            |              |                         |             |               |            |                |
| 2002  | 614             | 98.1        | 12        | 1.9        | 626          | 60,815                  | 97.8        | 1,376         | 2.2        | 62,191         |
| 2003  | 508             | 98.3        | 9         | 1.7        | 517          | 69,929                  | 98.4        | 1,118         | 1.6        | 71,047         |
| <b>Subtotal</b>   | <b>1,122</b>    | <b>98.2</b> | <b>21</b> | <b>1.8</b> | <b>1,143</b> | <b>130,744</b>          | <b>98.1</b> | <b>2,494</b>  | <b>1.9</b> | <b>133,238</b> |
| <b>Total</b>  | <b>3,074</b>    | <b>97.1</b> | <b>93</b> | <b>2.9</b> | <b>3,167</b> | <b>783,683</b>          | <b>95.5</b> | <b>36,918</b> | <b>4.5</b> | <b>820,601</b> |

Source: HMDA and CRA Disclosure Statements (2002-2003), HMDA LAR (2002-2003), and CRA data collection (2002-2003)

## **Geographic Distribution of Lending**

Overall, the bank's geographic distribution of loans reflects good penetration throughout the assessment areas. Analysis of the bank's performance under this criterion was based on a review of home mortgage refinance, home purchase, multi-family, small business, and consumer loans originated in the bank's combined assessment areas during the period of review. Small Business loans were weighted most heavily in the lending test. Home improvement loans were not included in this review as the level of lending was too nominal for a meaningful analysis.

### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the combined assessment areas. For comparison, the aggregate lending data as a percentage of the total number of loans and the percentage of small businesses are shown. The bank's 2002 penetration in low-income census tracts (12.3 percent) exceeded the aggregate lending data (6.6 percent) and percentage of small businesses (7.5 percent). Lending in moderate-income census tracts (23.0 percent) exceeded the aggregate lending data (19.8 percent) and percentage of small businesses (20.4 percent).

In 2003, the bank's lending in low-income census tracts (8.9 percent) reflects a decline in penetration, but continued to exceed the percentage of small businesses (6.9 percent). The bank's lending performance in moderate-income census tracts reflects an increase in penetration (30.6 percent), which exceeds the percentage of small businesses (23.0 percent).

### **Home Mortgage Disclosure Act (HMDA) Loans**

#### **Home Mortgage Refinance Loans**

The geographic distribution of home mortgage refinance loans reflects good penetration throughout the assessment areas. For comparison, the aggregate lending data as a percentage of the total number of loans and the percentage of owner-occupied units are shown for home mortgage refinance and home purchase loans. The bank's 2002 penetration in low-income census tracts (1.4 percent) is comparable to the aggregate lending data (1.7 percent) and slightly less than the percentage of owner-occupied units (2.6 percent). Lending in moderate-income census tracts (17.5 percent) exceeded the aggregate lending data (10.6 percent) and the percentage of owner-occupied units (15.0 percent).

The bank's 2003 lending performance in low-income census tracts reflects an increased trend (4.3 percent) in penetration, which exceeded the percentage of owner-occupied units (2.3 percent). Lending in moderate-income census tracts (16.3 percent) reflects a slight decline in penetration and is less than the percentage of owner-occupied units (18.4 percent).

## **Home Purchase Loans**

The geographic distribution of home purchase loans reflects adequate penetration throughout the combined assessment areas. The bank's 2002 penetration in low-income census tracts (4.1 percent) exceeded the percentage of aggregate lending data (2.8 percent) and the percentage of owner-occupied units (2.6 percent). Lending in moderate-income census tracts (13.7 percent) exceeded the aggregate lending data (13.2 percent), but was slightly less than the percentage of owner-occupied units (15.0 percent).

The bank's 2003 lending in low-income census tracts (1.5 percent) reflects a decline in penetration and is less than the percentage of owner-occupied units (2.3 percent). Lending in moderate-income census tracts (12.3 percent) reflects a slight decline in penetration and is less than the percentage of owner-occupied units (18.4 percent).

## **Multi-Family Loans**

The geographic distribution of multi-family loans reflects good penetration throughout the combined assessment areas. For comparison, the aggregate lending data as a percentage of the number of loans and the percentage of multi-family units are shown. The bank's 2002 penetration in low-income census tracts (7.8 percent) is less than the aggregate lending data (13.6 percent) and the percentage of multi-family units (12.5 percent). However, lending in moderate-income census tracts (58.8 percent) significantly exceeded the aggregate lending data (36.5 percent) and percentage of multi-family units (27.2 percent).

The bank's 2003 lending penetration in low-income census tracts significantly improved (13.6 percent), which exceeded the percentage of multi-family units (11.8 percent). Lending in moderate-income census tracts reflects a slight decline in penetration (55.9 percent), but continued to exceed the percentage of multi-family units (31.7 percent).

## **Consumer Loans**

The geographic distribution of consumer loans reflects adequate penetration throughout the assessment areas. For comparison, the percentage of households is shown. No aggregate lending data is available for consumer loans. The bank's 2002 lending performance in low- and moderate-income census tracts (1.8 percent and 18.9 percent, respectively) is less than the percentage of households (7.6 percent and 22.6 percent, respectively).

The 2003 lending levels reflect a slight increase in penetration in low-income census tracts (2.2 percent), but continued to be less than the percentage of households (6.8 percent). Lending in moderate-income census tracts reflects a decline in penetration (13.6) and is less than the percentage of households (26.6 percent).

## **Lending to Borrowers of Different Incomes and Business of Different Sizes**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes.

### **Borrower Characteristics**

#### **Small Business Loans**

The distribution of small business loans reflects good penetration among businesses of different revenue sizes. The analysis shows that the bank's lending activity for loans made to businesses with Gross Annual Revenues (GARs) of \$1 million or less in 2002 (36.5 percent) exceeded the aggregate market data (28.5 percent), but is less than the percentage of small businesses (57.5 percent). These loans were further stratified by loan size. As a result, 59.6 percent by number of total small business loans were made to businesses in amounts of \$250,000 or less.

Although the bank's performance is much lower than the overall percentage of small businesses within the assessment areas, the bank's performance exceeds that of the aggregate lending data. The aggregate lending data provides a better comparison because not all businesses have the financial capability to qualify for bank loans. The aggregate data reflects the market demand for credit from qualified borrowers. The bank's performance relative to the market data shows that the bank actively grants credit to small businesses.

The bank's lending activity in 2003 reflects similar performance. Lending to businesses with GARs of \$1 million or less in 2003 (39.9 percent) shows a slight increase in penetration, but continued to be less than the percentage of small businesses (62.0 percent). In addition, a majority of these loans (51.7 percent) were made to businesses in amounts of \$250,000 or less.

#### **HMDA Loans**

For comparison, the aggregate lending data as a percentage of total loans and the percentage of families are shown for home mortgage refinance and home purchase loans. Multi-family loans are not considered in this component of the evaluation since borrower income is not collected.

#### **Home Mortgage Refinance Loans**

The distribution of home mortgage refinance loans reflects good penetration among borrowers of different income levels within the combined assessment areas. The analysis shows that the bank's 2002 lending activity to low-income borrowers (3.4 percent) is comparable to the aggregate lending data (3.3 percent), but is significantly less than the percentage of families (22.6 percent). Lending to moderate-income borrowers (13.9 percent) exceeded the aggregate lending data (12.9 percent), but is less than the percentage of families (17.3 percent).

The bank's 2003 penetration to low-income borrowers (3.1 percent) is significantly less than the percentage of families (23.8 percent). Lending to moderate-income borrowers (13.6 percent) is less than the percentage of families (17.2 percent). While CB's lending levels fall below the percentage of low- and moderate-income families, the overall performance is considered good since most LMI families in these areas cannot qualify for the high housing costs in the bank's assessment areas. In addition, more weight is placed on the 2002 lending data, which compares favorably to the aggregate lending data, and is a better performance measurement as it is more reflective of the demand from LMI borrowers.

### **Home Purchase Loans**

The distribution of home purchase loans reflects adequate penetration among borrowers of different income levels. The analysis shows that the bank's 2002 lending activity to low-income borrowers (2.9 percent) exceeded the aggregate lending data (2.4 percent), but is less than the percentage of families (22.6 percent). Lending to moderate-income borrowers (7.4 percent) is less than the aggregate lending data (12.6 percent) and percentage of families (17.3 percent).

In 2003, the bank did not originate any home purchase loans to low-income borrowers. However, lending to moderate-income borrowers reflects an increased penetration (11.1 percent), but continued to fall below the percentage of families (17.2 percent).

### **Consumer Loans**

The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. The analysis shows that the bank's lending activity to low-income borrowers (14.9 percent) in 2002 is less than the percentage of households (24.3 percent). However, lending to moderate-income borrowers (20.3 percent) exceeded the percentage of households (16.2 percent).

The bank's 2003 penetration to low-income borrowers (6.0 percent) is less than the percentage of families (24.9 percent). Lending to moderate-income borrowers (12.5 percent) is also less than the percentage of families (16.1 percent).

CB's overall consumer lending data, by dollar volume represents less than one-percent of the bank's total loans as of September 30, 2003. Consumer loans, in general, are not a significant product line of the bank or aggressively marketed in the assessment area. In addition, a significant percentage of consumer loans are centered in home equity lines of credit. Many low- and moderate-income households within the bank's assessment areas are not homeowners largely due to the high cost of housing.

### **Record of Serving the Credit Needs of the Highly Economically Disadvantaged**

The bank exhibits an overall good record of serving the credit needs of the most economically disadvantaged of its assessment areas, low-income individuals, and very small businesses consistent with safe and sound banking practices. As discussed in the distribution of borrowers lending analysis, the bank's lending activities to low-income borrowers generally exceeded the

aggregate lending data. Furthermore, the geographic distribution analysis shows that the bank's performance in low-income areas generally exceeded the aggregate lending data. The service to low-income households is also enhanced by community development lending and investment activities that serve the low-income population by providing much needed affordable housing. In addition, the distribution of borrowers lending analysis shows that the bank's lending activities to small businesses with GARs of \$1 million or less exceeded the aggregate lending data. Moreover, a majority of small business loans were extended in amounts of \$250,000 or less.

### Community Development Lending

Cathay Bank is a leader in making community development loans. The bank's level of community development lending activities increased significantly, more than 2:1, since the previous CRA evaluation (\$74.2 million previously versus \$201.3 million for this evaluation period). Community development lending consists primarily of loans that contribute to the economic revitalization of low- and moderate-income geographies, as well as the economic development of small businesses throughout the bank's assessment areas. The bank continues to be responsive to the community development needs of communities within its various assessment areas. These assessment areas are diverse and offer a broad array of community development opportunities.

Table 6 below presents the bank's community development lending activities for the period covering January 1, 2002 through December 31, 2003.

| Table 6 – Qualified Community Development Lending Activity |                |                |             |               |          |              |             |                |
|--|----------------|----------------|-------------|---------------|----------|--------------|-------------|----------------|
| Loan Description   | California AAs |                | New York AA |               | Texas AA |              | Overall AAs |                |
|  | #              | \$ (000)       | #           | \$ (000)      | #        | \$ (000)     | #           | \$ (000)       |
| <b>Revitalization of LMI Geographies</b>                   | 55             | 157,992        | 2           | 18,000        | 1        | 2,550        | 58          | 178,542        |
| <b>Economic Development</b>                                | 6              | 13,263         | 0           | 0             | 2        | 4,500        | 8           | 17,763         |
| <b>Multifamily Affordable Housing</b>                      | 1              | 4,975          | 0           | 0             | 0        | 0            | 1           | 4,975          |
| <b>Grand Totals</b>  | <b>62</b>      | <b>176,230</b> | <b>2</b>    | <b>18,000</b> | <b>3</b> | <b>7,050</b> | <b>67</b>   | <b>201,280</b> |

Source: Bank Records

A significant amount of the bank's community development activities finance businesses in designated Empowerment Zones or Enterprise Communities.

Launched in 1993, the Empowerment Zone and Enterprise Community Initiative is an interagency effort focused on the creation of self-sustaining, long-term development in distressed urban and rural areas throughout the nation. By utilizing a combination of Federal tax incentives and flexible grant funds, the initiative is based on a participatory approach that requires

community stakeholders to work together in developing and implementing comprehensive strategic plans for revitalization. This program has provided businesses with the ability to open or expand, and has given residents greater access to jobs, services, and new economic opportunities.

The Federal tax benefits available in the initiative are designed to encourage businesses to invest in these areas. Expanding business development and commerce leads to greater job opportunities for residents and to improved access to goods and services, both of which help energize long-term revitalization.

The following are notable community development loans extended during the review period to businesses that are in designated Empowerment Zones and/or Enterprise Communities.

- \$7.6 million loan to purchase a 24,000 square foot office building in a moderate-income census tract in San Jose, California. The property is located in a San Jose Enterprise Zone and is leased to a company who employs 20,000 people.
- \$4.0 million loan to finance the purchase of business equipment for a business in a moderate-income census tract in Los Angeles, California. The business is in a Los Angeles Empowerment Zone and employs 230 people.
- \$3.0 million loan to provide working capital for a business in a low-income census tract in Los Angeles, California. The business is in both an Enterprise Zone and Empowerment Zone and employs 50 people.
- \$3.7 million loan to purchase a 12-unit mixed use building in a low-income area within a California Enterprise Zone in San Francisco/Bay View/Hunters Point, California.
- \$2.6 million loan to refinance a 65,000 square foot industrial/warehouse building in a moderate-income census tract in Santa Ana, California. The property is located within a Santa Ana Enterprise Zone.

The following are other types of notable community development loans extended during the review period.

- \$6.5 million loan to rehabilitate a medical arts building in a moderate-income census tract in Alhambra, California. Seventy-seven percent of the project is leased and together with improvements committed to by the city, the renovation of this project will contribute to the improvement of the "Valley Corridor" in the city of Alhambra.
- \$3.3 million loan to purchase a 17,000 square foot multi-tenant retail center in San Jose, California. The project is in a moderate-income census tract in an area of San Jose that has undergone major revitalization.
- \$3.0 million loan to construct a 22-unit office condominium complex in a low-income census tract in Houston, Texas. The property is located the Sharpstown section of Houston and in

cooperation with various economic development and redevelopment agencies, this area has experienced significant enhancements to the quality of life in the Sharpstown area.

- \$1.9 million loan to purchase a 2-story 24,700 square foot office building in Irvine, California. The property is in a moderate-income census tract and will facilitate business expansion for the borrower. The business securing the loan currently has 26 employees and is seeking to expand its business operations in manufacturing.

### **Innovative and/or Flexible Lending Practices**

The bank makes use of flexible lending practices to serve the assessment area credit needs. The bank provides direct lending products and participates with federal government agencies in various guarantee programs to help homebuyers and small business owners, who would otherwise not qualify for traditional banking products. The programs specifically target minority and women owned businesses, low- and moderate-income borrowers, or LMI geographies.

Table 7 depicts the overall performance by the bank in these programs. The period selected for review covers January 1, 2002 through December 31, 2003.

| <b>Table 7 - Innovative or Flexible Lending Programs</b> |                        |                            |
|--|------------------------|----------------------------|
| <b>Loan Programs</b>                                     | <b>Number of Loans</b> | <b>Dollar Volume (000)</b> |
| Residential Programs:                                    |                        |                            |
| First-Time Home Buyer                                    | 3                      | 606                        |
| <b>Total Residential Loans</b>                           | <b>3</b>               | <b>606</b>                 |
| Commercial Programs:                                     |                        |                            |
| Smart Capital  | 25                     | 406                        |
| SBA 7(a)   | 48                     | 27,578                     |
| SBA Low Doc  | 9                      | 1,077                      |
| <b>Total Commercial Loans</b>                            | <b>82</b>              | <b>29,061</b>              |
| <b>Total</b>   | <b>85</b>              | <b>29,667</b>              |

*Source: Bank Records*

The following are examples of the bank's flexible lending practices.

- The bank continues to administer small business loan programs through the federal Small Business Administration (SBA). These programs include the 7(a) loan program that serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. It is the SBA's most flexible business loan program, since financing under this program can be guaranteed for a variety of general business purposes. During the review period, the bank originated 48 loans totaling \$27.6 million.

- CB also offers SBA's "low doc" program, which is designed to give small businesses a simplified application process through reduced loan documentation requirements. The program focuses on the credit needs of small businesses and provides an additional source of financing outside Small Business Administration loan programs. During the period reviewed, the bank originated nine loans totaling \$1.1 million.
- The bank continues to offer its Community Homebuyers Loan Program. This program is targeted to first time homebuyers who earn less than 120 percent of median family income or any borrower regardless of income if the residential property is located in a qualified LMI geography. The program provides loans in amounts up to \$333,700 with no accompanying fees or charges. During the period reviewed, the bank originated only three loans totaling \$606,000.
- CB continues to offer its Smart Capital business loan program. This program targets small businesses in LMI geographies and provides a maximum loan amount of \$20,000 with no points or fees assessed. During the period reviewed, the bank originated 24 loans totaling \$386,000.

## **INVESTMENT TEST**

Cathay Bank has an overall excellent level of qualified community development investments, which reflects an excellent responsiveness to credit and community economic development needs based on the opportunities for such investments. In addition, the bank makes extensive use of complex investments to support community development initiatives including affordable housing. Examiners identified \$50.7 million in qualified investments with community development as its primary purpose, including outstanding debt or equity investments made or held, and qualified grants and donations made during the review period. This represents 1.6 percent of September 30, 2003 total assets of \$3.2 billion and 16.4 percent of September 30, 2003 tier one capital of \$309,552,000.

The following table illustrates the institution's qualified investment activities identified since the prior evaluation:

| <b>Table 8 - Qualified Investments</b>                              |               |                           |
|---|---------------|---------------------------|
| <b>DESCRIPTION</b>  | <b>NUMBER</b> | <b>DOLLARS<br/>(000s)</b> |
| Affordable Housing Rehabilitation and Construction*                 | 13            | 48,238                    |
| Mortgage-Backed Securities targeted to LMI individuals and/or areas | 4             | 2,172                     |
| Financial Intermediaries  | 1             | 100                       |
| <b>Total Debt or Equity Investments</b>                             | <b>18</b>     | <b>50,510</b>             |
| Other Qualified Grants and Donations                                | 39            | 177                       |
| <b>Total Qualified Grants and Donations</b>                         | <b>39</b>     | <b>177</b>                |
| <b>Grand Total</b>  | <b>57</b>     | <b>50,687</b>             |

*Source: Bank Records \*-Includes Low Income Housing Tax Credits*

### **Low Income Housing Tax Credits**

The Low Income Housing Tax Credit (LIHTC) program was created as a result of the 1986 Tax Reform Act as an incentive to encourage the construction and rehabilitation of rental housing for lower-income individuals. These tax credits offer direct federal income tax savings to owners of rental housing units for households earning 60 percent or less of gross median family income for the area. Typically, limited partnerships are formed to facilitate the funding of the construction or rehabilitation of these projects.

Cathay Bank is a partner in 12 limited partnerships that have supported either the renovation or construction of 46 affordable housing projects throughout its assessment areas and invested \$43.0 million during the review period. These projects contain over 1,100 affordable housing units that specifically target low- and moderate-income individuals or families. Some of the projects that benefited from the bank's investment in LIHTC's include a 72-unit building in Oxnard, California, a 69-unit building in San Francisco, California, and a 96-unit building in Houston, Texas. All, or a majority of the units in these buildings have been designated as affordable in accordance with the LIHTC program.

## **Affordable Housing Rehabilitation and Construction**

Cathay Bank invested \$5.3 million in a multifamily housing revenue bond to facilitate the construction of a 46-unit affordable housing project in Los Angeles, California. Bonds of this type generate funds for the provision of mortgages for qualified low- and moderate-income housing projects. Payments to investors of the bonds are derived from the proceeds generated by rental income and mortgage payments, and are exempt from State and Federal taxes.

## **Government Backed Securities**

Cathay Bank continues to hold three FNMA issued and one FHLMC issued mortgage backed securities for an aggregate book value of \$2.2 million. Underwriting requirements mandate that the principal amount of the securities be backed by loans made to LMI borrowers. The loans are secured by properties in the Los Angeles and San Francisco assessment areas in California and in the New York assessment area in the state of New York.

## **Financial Intermediaries**

Cathay Bank invested \$100,000 in a community development financial institution. This program, which is administered by the California Organized Investment Network (COIN), is a program that provides economic and social benefits to California's underserved urban and rural communities.

## **Qualified Grants and Donations**

Cathay Bank made donations since the previous evaluation to various community organizations that serve community development purposes. The following are examples of qualified grants and donations made by the bank during the review period.

- Twenty-five thousand in total donations made to a non-profit organization whose mission is to assist low-income individuals in the Los Angeles area. The organization is a national leader in providing economic empowerment tools and services, including financial education. Cathay Bank contributed specifically to this organization's program to provide financial literacy to schools located in low- and moderate-income areas.
- Cathay Bank foregoes its dividends due from the Federal Home Bank of San Francisco to be redirected to affordable housing projects in the state. In 2002, the bank reported foregone dividends of approximately \$41,000. These funds help create financing for affordable housing programs that benefit low-income families throughout California, including those who reside within the bank's assessment areas.
- Five thousand dollar donation to a non-profit organization that provides low-income individuals and families with education, employment, and health services in the Chinatown area of Los Angeles. Specifically, the organization provides social services, employment placement and counseling, small business assistance, and low-cost housing.

- Five thousand dollar grant to a non-profit organization that provides affordable housing assistance in the San Francisco area.
- Five thousand dollar donation to a non-profit organization in the San Fernando Valley area of Los Angeles whose mission is to provide management, technical assistance, and training to small businesses. The organization's efforts have resulted in the start-up and expansion of over 30,000 businesses and the creation and retention of over 10,000 jobs in the area that it services.
- Five thousand dollar donation to an economic development organization that contributes to business expansion and job growth in the Los Angeles area. The organization emphasizes the utilization of the self-help concept of generating operating revenues through performance-based contracts. The organization provides business assistance, training, loan packaging, career development, and vocational rehabilitation.

Please refer to the Investment Test for each assessment area for further details regarding investments in a specific assessment area.

## **SERVICE TEST**

Cathay Bank is rated needs to improve under the Service Test. The bank's retail banking services provides delivery systems that are reasonably accessible to essentially all portions of the bank's assessment areas. The bank provides a limited level of community development services.

### **Retail Banking Services**

Cathay Bank's overall accessibility of delivery systems, alternative delivery systems, banking products and services, and business hours within its assessment areas are considered adequate and are reasonably accessible to essentially all portions of the bank's communities, including low- and moderate-income geographies and individuals. Below are specific comments relating to the bank's performance under the four components of retail banking services.

#### **Accessibility of Delivery Systems**

Cathay Bank's delivery systems are reasonably accessible to essentially all portions its assessment areas. The bank operates a multi-state network of 24 full-service branch offices within three states and five assessment areas. The geographic dispersion of branch office locations by income level is diverse with all income levels represented throughout the overall assessment areas. Of the 24 branch offices, 4.2 percent are in low-income census tracts, 29.2 percent in moderate-income census tracts, 45.8 percent in middle-income census tracts, and 20.8 percent in upper-income census tracts, based on 2000 census data.

## Alternate Delivery Systems

Cathay Bank offers a good range of alternative delivery systems that are accessible to essentially all portions of its communities, including low- and moderate-income geographies and individuals. The bank maintains ATM facilities at 22 of its 24 branch offices. All ATMs have 24 hour a day access for customer convenience. Cathay Bank's network includes access to the Instant Teller, Plus, Cirrus and Star Systems, all of which provide additional access to non-proprietary ATMs located locally, nationwide, and around the world.

Internet users can access a variety of information about the bank and its products and services, including, but not limited to checking and savings accounts, certificates of deposit, home mortgage, vehicle loans, home equity loans, SBA guaranteed loan programs, commercial banking, international banking, and investment products through the bank's web site at <http://www.cathaybank.com>. The web site also has an online account application for consumers to start the new account process for checking, savings, and time deposit accounts. Customers may either mail-in or wire funds to open the account. Account disclosures are mailed to customers upon approval of applications received. Customers must come into a Cathay Bank office to show identification and sign an account signature card within 60 days of confirmation notice. The bank's web site also provides access to a branch locator showing address, phone number, and banking hours for all offices. In addition, the bank offers access to a mortgage loan calculator, links to competitive rates for savings, checking, and IRAs, as well as mortgage and home equity lender comparisons.

Additional access is provided by other alternative delivery systems including:

- Cathay eBanking – This alternative delivery system puts customers in contact with the bank right from their home computer and does not require any special software. It provides the account and transaction information needed to manage finances any time of the day or night. Useful features include unlimited free online account access to obtain account and transaction information, export financial data to financial management software such as Quicken or Microsoft Money, view loan balances and make loan payments, transfer funds between identically-held Cathay Bank accounts, view e-bills and pay multiple bills on one screen, pay bills electronically, request stop payments, request copies of statements, and reorder checks. On-line bill payment services are available only to California accountholders. Customers can access this service through any PC that has Internet access and have the convenience of 24-hour access to account information
- Cathay eLetter of Credit (eL/C) – Customers can apply for a Letter of Credit through this service 24 hours a day, 7 days a week. With this online service, customers can also request an amendment to the terms of a Letter of Credit and manage L/C applications in a timely and reliable manner. Customers must have approved trade financing or other collateral established with the International Department before signing up for this service.

- Cathay eCashManagement Services – business customers can help control company finances more efficiently and effectively right from their PCs. Useful features to help run a successful business include the following:
  - 1) Account Summary – Real-time online access to account transaction history and balance information.
  - 2) Upcoming Transactions – By noon each business day, customers are able to obtain information on incoming checks scheduled for payment that evening (available in California only).
  - 3) Finance Organization – Export financial data to financial management software (i.e. Quicken or Microsoft Money).
  - 4) Funds Transfer – Transfer funds between identically held accounts.
  - 5) Loan Pay – Arrange for online loan payments to Cathay Bank identically held accounts.
  - 6) ACH Origination – make payroll direct deposits or corporate payments electronically.
  - 7) Wire Transfer
  - 8) Stop Payment
  - 9) Statement Request
  
- Telephone Banking - customers have access to automated information on their accounts 24-hours a day, seven days a week. Customers can access account information, be directed to a specific employee's telephone extension, be directed to a specific department at either head quarters or Monterey Park, obtain information concerning banking hours, or speak to a live operator during regular business hours.

#### Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income areas and/or individuals. All of the bank's branches are full service and banking hours generally reflect the needs of the local communities that they serve. The geographic dispersions of these branches are presented within the separate assessment area discussions.

Branch banking hours include typical Monday through Thursday times with extended Friday hours for customer convenience. For added service, 96 percent of all branches have expanded Saturday banking hours. In addition, the three New York branches have Sunday banking hours. Cathay Bank also offers extended walk-up or drive-through banking hours at two locations.

Cathay Bank's full service branches offer a wide array of lending and deposit products to meet and serve the banking needs of its communities. Some banking services are offered exclusively to California customers (Cathay eBanking view e-bills and pay multiple bills on one screen and pay bills electronically).

### Changes in Branch Locations

To the extent that changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low-and moderate-income individuals.

Cathay Bank opened four branch offices in the assessment areas since the prior evaluation. No branches were closed during the review period. These changes have improved the accessibility of delivery systems, particularly in low- and moderate-income areas. The bank maintains a branch closing policy that meets all regulatory requirements in the event of future branch changes. Details regarding branch location changes are presented within the separate assessment areas.

### Community Development Services

Overall, Cathay Bank provides a limited level of community development services within its assessment areas. A significant majority of qualified community development services target low- and moderate-income individuals and are centered in the Los Angeles AA. Details regarding specific services provided are presented within the separate assessment areas.

## STATE OF CALIFORNIA

**CRA RATING FOR CALIFORNIA:**            *Satisfactory*

*The Lending Test is rated:*                *High Satisfactory*

*The Investment Test is rated:*            *Outstanding*

*The Service Test is rated:*                *Needs to Improve*

### SCOPE OF EXAMINATION

The State of California rating is based on full scope on-site and off-site evaluations of the bank's performance in the Los Angeles and San Francisco AAs, respectively. Off-site limited scope procedures were performed for the Sacramento AA. A substantial portion of the bank's lending, investments, and services are concentrated in the Los Angeles AA. Performance in this area received the most weight for determining the overall state rating. The evaluation focused on home mortgage, small business, consumer, and community development loan originations, and qualifying investments, and services.

Loans reported pursuant to the HMDA and Community Reinvestment Act data collection requirements for 2002 and 2003, including consumer loans, were included in the review. The review was limited to loan originations since the bank has not purchased any loans. All aggregate lending data used in the analysis is for the year 2002. Aggregate lending data for 2003 was not available. Information from recently completed community contacts in these assessment areas was also reviewed.

### DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN CALIFORNIA

Cathay Bank operates 20 of 24 full service branch offices (83.3 percent of all branch locations) within the three California assessment areas. There is 1 office in a low-income census tract, 3 offices in moderate-income census tracts, 11 offices in middle-income census tracts, and 5 offices in upper-income census tracts. Of the 20 branch offices, 12 are in the Los Angeles AA, 7 in the San Francisco AA, and 1 in the Sacramento AA. The branches offer the same credit and financial services as branches in other assessment areas. ATM's are offered at all branch office locations.

CB originated 725 home mortgage loans in the amount \$239 million in the three assessment areas during the period of review. This represents 94.9 percent by number of the total home mortgage loans originated within all three-assessment areas. In addition, 1,115 small business loans for \$359 million, and 1,119 consumer loans for \$130 million were originated in the three assessment areas during the period of review. This represents 93.9 percent by number of the total small business loans and 99.7 percent by number of the total consumer loans originated within the three assessment areas.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CALIFORNIA**

### **LENDING TEST**

#### **Lending Activity**

Cathay Bank's record of lending within its assessment areas in the State of California reflects good responsiveness to community credit needs considering the bank's business strategy, volume of lending, and competition. The geographic distribution of loans reflects overall good penetration throughout the assessment areas. The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. A majority of small business loans were extended in amounts of \$250,000 and less. The bank has a relatively high level of community development loans.

This overall state conclusion is based on a variety of performance context issues that affect the individual conclusions within the separate assessment areas. Therefore, additional facts and data supporting this overall conclusion are presented within the different assessment area conclusions of this performance evaluation. Refer to tables in Appendix F and I for additional data used to evaluate the bank's lending performance in California.

#### **Geographic Distribution of Lending**

Overall, the bank's geographic distribution of loans reflects good penetration throughout the California assessment areas. Analysis of the bank's performance under this criterion was based on a review of home mortgage refinance, home purchase, multi-family, small business, and consumer loans originated in the bank's combined California assessment areas during the period of review. Small Business loans were weighted most heavily in the lending test.

#### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the assessment areas. For comparison, the aggregate lending data as a percentage of the total number of loans and the percentage of small businesses are shown. The bank's 2002 penetration in low-income census tracts (12.4 percent) exceeded the aggregate lending data (7.1 percent) and percentage of small businesses (8.3 percent). Lending in moderate-income census tracts (22.6 percent) exceeded the aggregate lending data (18.9 percent) and percentage of small businesses (17.9 percent).

In 2003, the bank's lending in low-income census tracts (8.8 percent) reflects a decline in penetration, but continued to exceed the percentage of small businesses (7.7 percent). The bank's lending performance in moderate-income census tracts reflects an increase in penetration (30.5 percent), which exceeds the percentage of small businesses (23.4 percent).

## **Home Mortgage Disclosure Act (HMDA) Loans**

### **Home Mortgage Refinance Loans**

The geographic distribution of home mortgage refinance loans reflects good penetration throughout the assessment areas. For comparison, the aggregate lending data as a percentage of the total number and percentage of owner-occupied units are shown for home mortgage refinance and home purchase loans. The bank's overall 2002 penetration in low-income census tracts (1.5 percent) is comparable to the aggregate lending data (1.6 percent) and slightly less than the percentage of owner-occupied units (2.2 percent). Lending in moderate-income census tracts (17.9 percent) exceeded the aggregate lending data (10.5 percent) and the percentage of owner-occupied units (14.5 percent).

The bank's 2003 lending performance in low-income census tracts reflects an increased trend (4.4 percent) in penetration, which exceeded the percentage of owner-occupied units (2.1 percent). Lending in moderate-income census tracts (16.6 percent) reflects a slight decline in penetration and is just below than the percentage of owner-occupied units (17.8 percent).

### **Home Purchase Loans**

The geographic distribution of home purchase loans reflects adequate penetration throughout the assessment areas. The bank's 2002 penetration in low-income census tracts (4.4 percent) exceeded the percentage of aggregate lending data (2.7 percent) and the percentage of owner-occupied units (2.2 percent). Lending in moderate-income census tracts (13.2 percent) is comparable the aggregate lending data (13.8 percent), but was slightly less than the percentage of owner-occupied units (14.5 percent).

In 2003, the bank did not originate any home purchase loans in low-income census tracts. Lending in moderate-income census tracts (13.6 percent) reflects a slight decline in penetration and is less than the percentage of owner-occupied units (17.8 percent). Refer to the Los Angeles and San Francisco full-scope AAs analysis sections of this evaluation for details regarding mitigating factors for the bank's 2003 performance in low- and moderate-income assessment areas.

### **Multi-Family Loans**

The geographic distribution of multi-family loans reflects adequate penetration throughout the assessment areas. For comparison, the aggregate lending data as a percentage of the number and the percentage of multi-family units are shown. The bank's 2002 penetration in low-income census tracts (7.1 percent) is less than the aggregate lending data (13.7 percent) and the percentage of multi-family units (12.3 percent). However, lending in moderate-income census tracts (54.7 percent) significantly exceeded the aggregate lending data (37.8 percent) and percentage of multi-family units (28.5 percent).

The bank's 2003 lending penetration in low-income census tracts significantly improved (14.6 percent), which exceeded the percentage of multi-family units (12.4 percent). Lending in

moderate-income census tracts reflects a decline in penetration (47.9 percent), but continued to exceed the percentage of multi-family units (32.7 percent).

### **Consumer Loans**

The geographic distribution of consumer loans reflects adequate penetration throughout the assessment areas. For comparison, the percentage of households is shown. No aggregate lending data is available for consumer loans. The bank's 2002 lending performance in low- and moderate-income census tracts (1.8 percent and 18.8 percent, respectively) is less than the percentage of households (6.5 percent and 22.2 percent, respectively).

The 2003 lending levels reflect a slight increase in penetration in low-income census tracts (2.2 percent), but continued to be less the percentage of households (6.2 percent). Lending in moderate-income census tracts reflects a decline in penetration (13.6) and is less than the percentage of households (25.5 percent).

### **Lending to Borrowers of Different Incomes and Business of Different Sizes**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes.

### **Borrower Characteristics**

#### **Small Business Loans**

The distribution of small business loans reflects good penetration among businesses of different revenue sizes. The analysis shows that the bank's lending activity for loans made to businesses with Gross Annual Revenues (GARs) of \$1 million or less in 2002 (34.9 percent) exceeded the aggregate market data (27.2 percent), but is less than the percentage of businesses (61.8 percent). These loans were further stratified by loan size. As a result, 59.9 percent by number of total small business loans were made to businesses in amounts of \$250,000 or less.

The bank's lending activity in 2003 reflects similar performance. Lending to businesses with GARs of \$1 million or less in 2003 (38.6 percent) shows a slight increase in penetration, but continued to be less than the percentage of businesses (62.0 percent). In addition, a majority of these loans (52.8 percent) were made to businesses in amounts of \$250,000 or less.

### **HMDA Loans**

For comparison, the aggregate lending data as a percentage of total loans and the percentage of families are shown for home mortgage refinance and home purchase loans. Multi-family loans are not considered in this component of the evaluation since borrower income is not collected.

### **Home Mortgage Refinance Loans**

The distribution of home mortgage refinance loans reflects good penetration among borrowers of different income levels within the combined assessment areas. The analysis shows that the bank's 2002 lending activity for low-income borrowers (3.4 percent) slightly exceeded the aggregate lending data (3.2 percent), but is less than the percentage of families (21.3 percent). Lending to moderate-income borrowers (14.2 percent) exceeded the aggregate lending data (12.8 percent), but is less than the percentage of families (17.6 percent).

The bank's 2003 penetration to low-income borrowers (3.2 percent) is less than the percentage of families (22.6 percent). Lending to moderate-income borrowers (13.8 percent) is less than the percentage of families (17.4 percent). While the bank's lending levels fall below the percentage of low- and moderate-income families, the overall performance is considered good since most families cannot qualify for the high housing costs in the bank's assessment areas.

### **Home Purchase Loans**

The distribution of home purchase loans reflects adequate penetration among borrowers of different income levels. The bank's lending to low-income borrowers in 2002 (3.1 percent) exceeded the aggregate lending data (1.8 percent), but is less than the percentage of families (21.3 percent). Lending to moderate-income borrowers (7.7 percent) is less than the aggregate lending data (11.0 percent) and percentage of families (17.6 percent).

In 2003, the bank did not originate any home purchase loans to low-income borrowers. However, lending to moderate-income borrowers reflects increased penetration (12.1 percent), but continued to fall below the percentage of families (17.4 percent).

### **Consumer Loans**

The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. The analysis shows that the bank's lending activity to low-income borrowers (14.8 percent) in 2002 is less than the percentage of households (23.1 percent). However, lending to moderate-income borrowers (20.2 percent) exceeded the percentage of households (16.8 percent).

The bank's 2003 consumer loan penetration to both low- and moderate-income borrowers (6.0 percent and 12.5 percent, respectively) is less than the percentage of low- and moderate-income families (23.9 percent and 16.5 percent, respectively).

### **Record of Serving the Credit Needs of the Highly Economically Disadvantaged**

The bank exhibits a good record of serving the credit needs of the most economically disadvantaged of its California assessment areas, low-income individuals, and very small businesses consistent with safe and sound banking practices. As discussed in the distribution of borrowers lending analysis, the bank's lending activities to low-income borrowers generally exceeded the aggregate lending data. Furthermore, the geographic distribution analysis shows

that the bank's performance in low-income areas exceeded the aggregate lending data. The service to low-income households is also enhanced by community development lending and investment activities that serve the low-income population by providing affordable housing. In addition, the distribution of borrowers lending analysis shows that the bank's lending activities to small businesses with GARs of \$1 million or less exceeded the aggregate lending data. Moreover, a majority small business loans were extended in amounts of \$250,000 or less.

### Community Development Lending

Cathay Bank has made an excellent level of community development loans in the state of California, which is consistent with the bank's overall performance. Table 9 presents the bank's community development lending activities in the California assessment areas for the period covering January 1, 2002 through December 31, 2003.

| Table 9 – Qualified Community Development Lending Activity |                |                |                  |               |               |              |             |                |
|--|----------------|----------------|------------------|---------------|---------------|--------------|-------------|----------------|
| Loan Description   | Los Angeles AA |                | San Francisco AA |               | Sacramento AA |              | Overall AAs |                |
|  | #              | \$ (000)       | #                | \$ (000)      | #             | \$ (000)     | #           | \$ (000)       |
| <b>Multifamily Affordable Housing</b>                      | 0              | 0              | 1                | 4,975         | 0             | 0            | 1           | 4,975          |
| <b>Economic Development</b>                                | 4              | 6,564          | 2                | 6,699         | 0             | 0            | 6           | 13,263         |
| <b>Revitalization of LMI Geographies</b>                   | 47             | 135,873        | 6                | 18,447        | 2             | 3,674        | 55          | 157,994        |
| <b>Grand Totals</b>  | <b>51</b>      | <b>142,437</b> | <b>9</b>         | <b>30,121</b> | <b>2</b>      | <b>3,674</b> | <b>62</b>   | <b>176,232</b> |

Source: Bank Records

Please refer to the comments in the Community Development Lending section starting on page 16 of the report regarding discussion of the bank's performance in the combined assessment areas for details regarding the community development loan activities in California.

### Innovative and/or Flexible Lending Practices

Cathy Bank makes use of flexible lending practices in order to serve assessment area credit needs. Please refer the Flexible Lending Programs section of this public evaluation starting on page 18 for additional details regarding these programs. Although these programs are not considered innovative, they contain flexible lending terms to assist borrowers who would otherwise not qualify for traditional banking products.

## INVESTMENT TEST

Within California, Cathay Bank has an excellent level of qualified community development investments, which is consistent with the bank's overall performance and reflects an excellent responsiveness to credit and community economic development needs based on the opportunities for such investments within the state. In addition, the bank makes extensive use of complex investments, both in statewide and local initiatives to support community development initiatives including affordable housing.

As reflected in Table 10 below, the bank's California investment activities total 51 (or 89.5 percent) by number and \$41.2 million (or 81.2 percent) by dollar volume of total investment activities overall.

| <b>Table 10 - Qualified Investments in California AAs</b>           |               |                           |
|---|---------------|---------------------------|
| <b>DESCRIPTION</b>  | <b>NUMBER</b> | <b>DOLLARS<br/>(000s)</b> |
| Affordable Housing Rehabilitation and Construction *                | 10            | 39,364                    |
| Mortgage-Backed Securities targeted to LMI individuals and/or areas | 3             | 1,534                     |
| Financial Intermediaries  | 1             | 100                       |
| <b>Total Debt or Equity Investments</b>                             | <b>14</b>     | <b>40,998</b>             |
| Other Qualified Grants and Donations                                | 37            | 175                       |
| <b>Total Qualified Grants and Donations</b>                         | <b>37</b>     | <b>175</b>                |
| <b>Grand Total</b>  | <b>51</b>     | <b>41,173</b>             |

Source= Bank Records \*=LIHTC

Cathay Bank made equity investments in five statewide LIHTC totaling approximately \$23 million, of which four are current period investments totaling \$11.5 million and one is a prior period investment totaling \$11.1 million. These tax credits help provide much needed affordable housing within the bank's assessment areas in California. Please refer to the overall description of the bank's investment activities, as well as the Investment Test section of each assessment area in California for specific details of qualified investments and grant activity.

## SERVICE TEST

Cathay Bank's California State Service Test rating is Needs to Improve. The bank operates a sizable office structure that is reasonably accessible to all portions of the assessment areas. The bank provides a limited level of community development services within the state. A significant majority of the bank's community development services focus on community services for low- and moderate-income individuals. Details of the services provided by employees are presented separately under each assessment area discussion where full scope examination procedures were utilized.

### Retail Banking Services

#### Accessibility of Delivery Systems

Cathay Bank's delivery systems are reasonably accessible to essentially all portions of the assessment areas in the state. The bank operates 20 branch offices across three assessment areas within the state. As shown in the table below, the distribution of branch offices in low- and moderate-income areas at 5.0 percent and 15.0 percent, respectively, are below the percentages of all other financial institutions, families, small businesses, and census tracts in the assessment areas. Despite the high percentage of branches in middle-income geographies in relation to other comparisons, several branches are adjacent to or within close proximity to moderate-income geographies.

**Table 11**

| Branch Distribution Analysis in the State of California                   |                              |          |         |         |       |         |
|---|------------------------------|----------|---------|---------|-------|---------|
| Office Type   | Income Level of Census Tract |          |         |         |       |         |
|   | Low                          | Moderate | Middle  | Upper   | N/A   | Total   |
| <b>Branch Offices</b>   |                              |          |         |         |       |         |
| Number of Branches  | 1                            | 3        | 11      | 5       | 0     | 20      |
| Percent   | 5.0                          | 15.0     | 55.0    | 25.0    | 0     | 100.0   |
| <b>Comparisons</b>  |                              |          |         |         |       |         |
| Percentage of Branches-All Financial Institutions (Excluding Cathay Bank) | 9.0                          | 23.1     | 34.2    | 33.3    | 0.4   | 100.0   |
| Census Tracts   | 343                          | 1,237    | 1,553   | 1,360   | 20    | 4,513   |
| Percentage of Areas   | 7.6                          | 27.4     | 34.4    | 30.1    | 0.5   | 100.0   |
| Percentage of Families  | 5.8                          | 25.9     | 36.2    | 32.0    | 0.1   | 100.0   |
| Dun & Bradstreet Businesses   | 69,715                       | 223,549  | 317,134 | 340,062 | 2,296 | 952,756 |
| Percentage of Businesses  | 7.3                          | 23.5     | 33.3    | 35.7    | 0.2   | 100.0   |

*Source: Bank Records, 2000 Census Data, and 2003 Dun & Bradstreet Business Data*

#### Alternate Delivery Systems

Alternate delivery systems mirror those described under the bank-wide performance summary. CB maintains ATM facilities at all branch locations.

### Reasonableness of Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income areas and/or individuals. All of the bank's branch offices are full service and the hours generally reflect the needs of the local communities that they serve. For added service, all branches have expanded Saturday banking hours.

### Changes in Office Locations

Since the last evaluation, Cathay Bank opened two offices in the State of California. The changes have not adversely affected the accessibility of the bank's delivery systems, particularly in low- and moderate-income census tracts or to low- and moderate-income individuals. Of the two branch offices opened, one is in a moderate-income geography and one in a middle-income geography. Details regarding branch location changes are presented within the separate assessment areas.

### **Community Development Services**

Cathay Bank provides a limited level of community development services in the State of California. A majority of the community development services focus on providing community services targeted to low- and moderate-income individuals. Examples of these programs and services are presented, in detail, in the Los Angeles assessment area section of the evaluation.

## **METROPOLITAN AREAS EVALUATED USING FULL-SCOPE EXAMINATION PROCEDURES**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LOS ANGELES-LONG BEACH-RIVERSIDE COMBINED STATISTICAL AREA (CSA) – 348**

This assessment area encompasses portions of the Los Angeles-Long Beach-Riverside CSA-348 (Los Angeles AA), which includes Los Angeles and Orange counties in the Los Angeles-Long Beach-Santa Ana, CA Metropolitan Statistical Area (MSA) – 31100 and Riverside and San Bernadino counties in the Riverside-San Bernadino-Ontario, CA MSA-40140.

Cathay Bank operates 12 of its 24 branch offices, including its main office, in the Los Angeles AA. One branch office is in a low-income census tract, two are in moderate-income census tracts, five are in middle-income census tracts, and four are in upper-income tracts. The branches offer similar credit and financial services as branches located in other assessment areas.

CB originated 517 home mortgage loans for \$164 million in the Los Angeles AA during the review period. This represents 67.7 percent by number and 62.3 percent by dollar volume of the total home mortgage loans originated within all assessment areas. In addition, 908 small business loans totaling approximately \$283 million, and 893 consumer loans totaling approximately \$93 million were originated in the assessment area during the review period. This represents 76.4 percent by number and 72.6 percent by dollar volume of the total small business loans and 79.6 percent by number and 71.5 percent by dollar volume of the total consumer loans originated within this assessment area.

### **DESCRIPTION OF ASSESSMENT AREA**

#### **Demographic Characteristics**

##### **1990 Census Data**

The Los Angeles AA area contains 2,250 census tracts (170 low-, 531 moderate-, 813 middle-, 708 upper-income, and 28 with no income). Low- and moderate-income census tracts account for approximately 7.6 percent and 23.6 percent, respectively, of the total number of tracts within this assessment area. The estimated population of the assessment area according to the 1990 census data is 12,474,264.

##### **2000 Census Data**

Based on the 2000 Census data, the total number of census tracts increased by over 36 percent to 3,073 (224 low-, 893 moderate-, 968 middle-, 971 upper-income, and 17 with no income). The percentage of low- and moderate-income census tracts changed to 7.3 percent and 29.1 percent, respectively, of the total number of tracts within the assessment area. According to the 2000

census data, the estimated population of the assessment area is 15,029,426, an increase of over 20 percent since 1990.

A modest number of residential lending opportunities exist in the low- and moderate-income geographies of this assessment area. Owner occupancy rates are lower in low- and moderate-income geographies compared to middle- and upper-income geographies. According to 2000 census data, only 1.7 percent of the 2,625,383 owner-occupied housing units in this assessment area are in low-income census tracts and 18.6 percent are in moderate-income census tracts. In addition, the assessment area contains 4,916,963 households, of which 24.1 percent are low-income, 16.3 percent are moderate-income, 18.0 percent are middle-income, and 41.5 percent are upper-income. Households below poverty level total 13.4 percent.

### **Housing Affordability**

Low- and moderate-income households find it extremely difficult to qualify for home mortgage loans in this high-cost housing area. The median family incomes for the Los Angeles-Long Beach-Santa Ana MSA – 31100 (Los Angeles MSA) and Riverside-San Bernadino-Ontario MSA-40140 (Riverside/San Bernadino MSA) were \$41,891 and \$37,274, respectively, in 1990. These figures are used to determine the income level of each geography for lending activities that occurred in 2002. Based on 2000 Census data, the MFI for the Los Angeles MSA and Riverside/San Bernadino MSAs were \$50,667 and \$50,300, respectively. These figures are used to determine the income level of each geography for lending activities that occurred during 2003. Based on estimates by the Department of Housing and Urban Development (HUD), the adjusted Median Family Income (MFI) for 2002 and 2003 are as follows:

| <u>MSA</u>               | <u>MSA Number</u> | <u>2002 HUD MFI</u> | <u>2003 HUD MFI</u> |
|--------------------------|-------------------|---------------------|---------------------|
| Los Angeles              | 31100             | \$59,886            | \$54,572            |
| Riverside/San Bernardino | 40140             | \$50,300            | \$51,000            |

As of December 2003, the current median home sales prices in Los Angeles and Orange counties were \$355,000 and 467,000, respectively. The median home sales prices represent over six to eight times the HUD adjusted median family income in the Los Angeles MSA. In stark contrast, the current median home sales prices in Riverside and San Bernadino counties were \$272,000 and \$215,000, respectively. These median sales prices represent between four to five times the HUD adjusted median family incomes in the Riverside/SanBernardino MSA.

The Los Angeles AA has over 661,500 licensed small businesses. The number of small businesses appears to be well dispersed across moderate, middle, and upper-income census tracts, which is consistent with the make-up of local communities. While commercial lending opportunities appear to be available in all assessment area census tracts, more opportunities lie within moderate-, middle-, and upper-income tracts. Table 12 depicts the breakdown of small businesses by census tract income level.

| <b>Table 12 – Small Businesses by Geography</b> |                                   |                   |
|---|-----------------------------------|-------------------|
| <b>Census Tract Type</b>                        | <b>Number of Small Businesses</b> | <b>% of Total</b> |
| <b>Low-Income</b>                               | 40,031                            | 6.1               |
| <b>Moderate-Income</b>                          | 160,553                           | 24.3              |
| <b>Middle-Income</b>                            | 205,822                           | 31.1              |
| <b>Upper-Income</b>                             | 252,917                           | 38.2              |
| <b>No Income</b>                                | 2,196                             | 0.3               |
| <b>Totals</b>                                   | <b>661,519</b>                    | <b>100.0</b>      |

Source: Dun and Bradstreet, 2003

## **Economic Data**

### **Los Angeles MSA**

The Los Angeles economy has leveled off and is no longer in recession. Industrial production has already begun to rise, but the benefits of reaching this turning point will not be fully apparent until the middle point of 2004, as unemployment is lingering at a high rate of near seven percent and employment gains are still limited. The housing market and price appreciation is strong despite an increase in construction activity. Both business and personal bankruptcy filings have now fallen for a second consecutive quarter. Thus, household finances appear to be in good shape. Stable demands for housing and positive demographic trends are other factors that are supporting growth in the Los Angeles area.

Los Angeles is one of the major defense contracting centers in the United States. Demand for fighter aircraft, navigation avionics, surveillance systems, and information systems will continue to keep the many contractors and subcontractors in the region busy through the next three years. Rising federal spending on defense and homeland security will play a greater role in Los Angeles in 2004. The aerospace and electronics industries will benefit directly. Most recently, the “Air Force Systems” division of an aerospace company headquartered in Long Beach, California was awarded a \$143 million contract for GPS systems. In another instance, the “Tactical Systems” division of another aerospace company won a \$175 million contract for military base defense systems. In addition, long-term work on new-generation jet fighters will create work at development sites in Palmdale, California.

Los Angeles’ industrial property market is one of the strongest in the nation. The industrial property market in Los Angeles is supported by the rapid rise in trade passing through the metro area that keeps warehouses full and in high demand. Construction markets have responded with a rise in industrial construction this year following two sluggish years.

Orange County's economy is beginning to expand. Industrial production and employment have risen steadily since mid-year. Unemployment has improved to a low rate near 3.5 percent. A moderate improvement in manufacturing and in business services is helping fuel the economy's rebound. Both business and personal bankruptcy filings have fallen for four consecutive quarters, which is further indicative of a healthy economy. Combined with ever rising housing values and accelerating income growth, these factors indicate a solid improvement in household balance sheets.

Goods-producing industries remain an important component of the economy with manufacturing employment accounting for a steady 13 percent of the total, compared to 11 percent nationwide. Recent stability in the two largest manufacturing industries, aerospace and electronics, has helped to steady total manufacturing employment. This is particularly important since they both employ well-paid engineers and researchers. The near term outlook for demand for semiconductors and other electronic equipment is very strong, providing generous upside potential for the area's chipmakers.

The housing market remains imbalanced in two different ways. First, household formations continue to outpace new construction starts, so that the overall supply of housing is short of demand. Second, the housing shortage is currently reflected solely in the single-family housing market, where prices continue to soar. Until interest rates rise significantly, or affordability becomes such a problem that households are forced into rental units despite low interest rates, the multi-family market will remain weak.

The largest employers by industry in the Los Angeles MSA are high-tech employment, private household workers, and motion picture/video industries. The table below reflects the composition of the area's economy.

| <b>Table 13 Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 39.2                              | \$258,822                           |
| <b>Manufacturing</b>  | 13.4                              | \$ 94,825                           |
| <b>Retail</b>   | 10.4                              | \$ 56,679                           |
| <b>Government</b>   | 13.1                              | \$ 97,291                           |
| <b>All Other</b>  | 23.9                              | NA                                  |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

### **Riverside/San Bernadino MSA**

Riverside-San Bernadino remains one of the leading metro area economies in the nation. The economy expanded in late 2003. The improvement in the economy is reflected in a downturn in unemployment in the second half of 2003, which is now below the national level. A two-year

decline in the number of personal bankruptcy filings indicates improving household balance sheets, which means that there should be little impediment to rising demand for local goods and services. House-price appreciation in Riverside-San Bernadino is remarkable, approaching nearly 30 percent on a year-to-year basis as of October 2003. Low interest rates and strong population and household growth are fueling this price surge, but at the price of reducing housing affordability in the area.

The expansion of manufacturing and wholesale trade is a positive sign that the economy is growing once again. Investment in these industries has long been a pillar of growth for the economy. Growth in the Riverside-San Bernardino areas manufacturing industry has caused a surge in industrial construction activity. New industrial parks and the conversion of several former military bases are generating an ample, but not a surplus supply of manufacturing and warehouse space in the metro area, with an availability rate of about nine percent.

The largest employers by industry in the Riverside-San Bernadino MSA are State and local government, Retail services, and High-tech employment. The table below reflects the composition of the area's economy.

| <b>Table 14-Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 34.1                              | \$95,810                            |
| <b>Manufacturing</b>  | 10.8                              | \$37,730                            |
| <b>Retail</b>   | 13.0                              | \$23,451                            |
| <b>Government</b>   | 20.1                              | 44,518                              |
| <b>All Other</b>  | 22.0                              | N/A                                 |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

## **Community Contacts**

Community contacts in the Los Angeles assessment area included one non-profit affordable housing organization, one small business development corporation (SBDC), and one community-based development corporation (CDC). The affordable housing contact mentioned an ongoing need for affordable housing due to high costs related to the scarcity of available land in the area. In addition, this organization outlined various ways in which local financial institutions can participate in community development opportunities in the assessment area. Non-profit organizations need access to predevelopment money in order to build affordable housing. While most banks consider this type of lending risky and do not offer this type of product, several banks in the area make exceptions only to their best customers. Other institutions not regulated by the government offer this type of product. Bank's can also help by participating in low-income tax credit programs that help promote affordable housing. The SBDC and CDC contacts mentioned additional credit needs for small business lending pools, micro loans, and near bankable loans. Minority-owned businesses and low-income business owners need simplified

loan application packages and assistance with the application process. All three contacts spoke favorably of several financial institutions serving the various communities within the bank's assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES AA**

### **LENDING TEST**

#### **Lending Activities**

CB's lending levels reflect a good responsiveness to the Los Angeles assessment area credit needs. The overall geographic distribution of loans reflects good penetration throughout the assessment area. The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. A majority of small business loans were extended in amounts of \$250,000 and less. The bank has an excellent level of community development loans.

#### **Geographic Distribution of Lending**

The geographic distribution reflects an overall good penetration throughout the assessment area. Analysis of the bank's performance under this criterion was based on a review of home mortgage refinance, home purchase, multi-family, small business, and consumer loans originated in the Los Angeles AA area during the period of review. Small Business loans were given the most weight in the lending test.

#### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of total number and the percentage of small businesses are shown. The bank's 2002 penetration in low-income census tracts (10.9 percent) exceeded the aggregate lending data (6.3 percent) and percentage of small businesses (7.1 percent). Lending in moderate-income census tracts (23.9 percent) exceeded the aggregate lending data (18.6 percent) and percentage of small businesses (19.9 percent).

In 2003, the bank's penetration in low-income census tracts (7.5 percent) reflects a decline, but continued to exceed the percentage of small businesses (6.2 percent). The bank's lending performance in moderate-income census tracts reflects an increase in penetration (30.3 percent), which exceeded the percentage of small businesses (24.1 percent).

## **Home Mortgage Disclosure Act (HMDA) Loans**

### **Home Mortgage Refinance Loans**

The geographic distribution of home mortgage refinance loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of total number and the percentage of owner-occupied units are shown for home mortgage refinance and home purchase loans. The bank's 2002 penetration in low-income census tracts (0.7 percent) is less than the aggregate lending data (1.3 percent) and percentage of owner-occupied units (1.9 percent). However, lending in moderate-income census tracts (16.1 percent) exceeded both the aggregate lending data (10.2 percent) and the percentage of owner-occupied units (15.0 percent). The bank ranked 255 out of 755 total lenders in 2002 with a market share of 0.02 percent.

The bank's 2003 lending performance in low-income census tracts reflects an increased trend in penetration (2.3 percent) that exceeded the percentage of owner-occupied units (1.7 percent). Lending in moderate-income census tracts (17.4 percent) reflects a slight increase in penetration, but is slightly less than the percentage of owner-occupied units (18.6 percent).

### **Home Purchase Loans**

The geographic distribution of home purchase loans reflects good penetration throughout this assessment area. The bank's 2002 penetration in low-income census tracts (4.2 percent) exceeded the aggregate lending data (2.5 percent) and the percentage of owner-occupied units (1.9 percent). Lending in moderate-income census tracts (14.6 percent) exceeded the aggregate lending data (13.4 percent), but was slightly less than the percentage of owner-occupied units (15.0 percent). The bank ranked 228 out of 598 total lenders in 2002 with a market share of 0.02 percent.

In 2003, the bank did not originate any home purchase loans in low-income census tracts. The bank's lack of lending in low-income areas is mitigated by several factors. The percentage of owner-occupied housing units and percentage of households in low-income census tracts reflects a nominal 1.7 percent, which demonstrates limited lending opportunities in these areas. In addition, the decline in interest rates in 2003 resulted in an increased emphasis and demand for home mortgage refinance loans. In addition, the lack of housing stock, a decline in the HUD adjusted median family income, and increase in the average home sale price further limits home ownership opportunities in these areas.

Lending in moderate-income census tracts reflects an increased trend (15.0 percent), but is less than the percentage of owner-occupied units (18.6 percent).

### **Multi-Family Loans**

The geographic distribution of multi-family loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of number and the percentage of multi-family units are shown. The bank's 2002 penetration in low-income census

tracts (5.4 percent) is less than the aggregate lending data (12.6 percent) and the percentage of multi-family units (11.9 percent). Conversely, lending in moderate-income census tracts (59.5 percent) significantly exceeded the aggregate lending data (38.0 percent) and percentage of multi-family units (28.2 percent).

The bank's 2003 lending penetration in low-income census tracts significantly improved (12.5 percent), which exceeded the percentage of multi-family units (11.4 percent). Lending in moderate-income census tracts reflects a slight decline in penetration (52.5 percent), but continued to exceed the percentage of multi-family units (34.3 percent).

### **Consumer Loans**

The geographic distribution of consumer loans reflects adequate penetration throughout the assessment areas. For comparison, the percentage of households is shown. No aggregate lending data is available for comparison. The bank's 2002 lending performance in both low- and moderate-income census tracts (1.2 percent and 19.8 percent, respectively) is less than the percentage of households (6.3 percent and 23.1 percent, respectively) in these areas.

The 2003 lending levels in both low- and moderate-income census tracts (0.8 percent and 13.9 percent, respectively) is less than the percentage of households (5.7 and 27.1 percent, respectively).

### **Lending to Borrowers of Different Incomes and Business of Different Sizes**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different sizes.

### **Borrower Characteristics**

#### **Small Business Loans**

The distribution of small business loans reflects good penetration among businesses of different revenue sizes. The analysis shows that the bank's lending activity for loans made to businesses with Gross Annual Revenues (GARs) of \$1 million or less in 2002 (32.5 percent) exceeded the aggregate market data (27.7 percent), but is less than the percentage of small businesses (58.1 percent). These loans were further stratified by loan size. As a result, 63.7 percent by number of total small business loans were made to businesses in amounts of \$250,000 or less.

Although the bank's performance is much lower than the overall percentage of small businesses within this revenue category, the bank's performance exceeds that of the aggregate lending data. The aggregate lending data provides a better comparison because not all businesses have the financial capability to qualify for traditional bank loans. The aggregate data reflects the market demand for credit from qualified borrowers. The bank's performance relative to the market data shows that the bank actively grants credit to small businesses.

The bank's lending activity in 2003 reflects similar performance. Lending to businesses with GARs of \$1 million or less in 2003 (36.1 percent) shows a slight increase in penetration, but continued to be less than the percentage of small businesses (62.3 percent). In addition, a majority of these loans (53.5 percent) were made to businesses in amounts of \$250,000 or less.

### **HMDA Loans**

For comparison, the aggregate lending data as a percentage of total number and the percentage of families are shown for home mortgage refinance and home purchase loans. Multi-family loans are not considered in this component of the evaluation since borrower income is not collected.

### **Home Mortgage Refinance Loans**

The distribution of home mortgage refinance loans reflects good penetration among borrowers of different income levels within the Los Angeles assessment area. The analysis shows that the bank's lending activity to low-income borrowers in 2002 (4.3 percent) exceeded the aggregate lending data (2.7 percent), but is significantly less than the percentage of families (21.9 percent). Lending to moderate-income borrowers (11.4 percent) was comparable to the aggregate lending data (11.9 percent), but is less than the percentage of families (17.4 percent).

The bank's 2003 lending levels to both low- and moderate-income borrowers (3.5 percent and 7.6 percent, respectively) reflects a decline in penetration and is less than the percentage of families in these areas (23.1 percent and 17.2 percent, respectively).

While the bank's lending levels fall below the percentage of families within both low- and moderate-income areas, the overall performance is considered good since most low- and moderate-income families cannot qualify for the high cost of housing in the Los Angeles assessment area.

### **Home Purchase Loans**

The distribution of home purchase loans reflects adequate penetration among borrowers of different income levels. The analysis shows that the bank's lending activity to low-income borrowers in 2002 (2.2 percent) exceeded the aggregate lending data (1.7 percent), but is less than the percentage of families (21.9 percent). Lending to moderate-income borrowers (6.7 percent) is less than the aggregate lending data (10.7 percent) and percentage of families (17.4 percent).

In 2003, the bank did not originate any home purchase loans to low-income borrowers. As discussed in the geographic distribution analysis for this assessment area, a limited number of lending opportunities exists in low-income census tracts, which mitigates the bank's lack of performance in these areas. Lending to moderate-income borrowers reflects a slight decline in penetration (5.1 percent) and is less than the percentage of families (17.2 percent).

## **Consumer Loans**

The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. The analysis shows that the bank's lending activity to low-income borrowers (14.4 percent) in 2002 is less than the percentage of households (23.4 percent). However, lending to moderate-income borrowers (20.0 percent) exceeded the percentage of households (16.5 percent).

The bank's 2003 penetration reflects a decline in penetration to both low- and moderate-income borrowers (5.1 percent and 10.2, respectively) and is less than the percentage of households (24.1 percent and 16.3 percent, respectively).

## **Record of Serving the Credit Needs of the Highly Economically Disadvantaged**

The bank exhibits a good record of serving the credit needs of the most economically disadvantaged of its Los Angeles assessment area, low-income individuals, and very small businesses consistent with safe and sound banking practices. As discussed in the distribution of borrowers lending analysis, the bank's lending activities to low-income borrowers generally exceeded or was comparable to the aggregate lending data. Furthermore, the geographic distribution analysis shows that the bank's performance in low-income areas exceeded the aggregate lending data. The service to low-income households is also enhanced by community development lending and investment activities that serve the low-income population by providing affordable housing. In addition, the distribution of borrowers lending analysis shows that the bank's lending activities to small businesses with GARs of \$1 million or less exceeded the aggregate lending data. Moreover, a majority of small business loans were extended in amounts of \$250,000 or less.

## **Community Development Loans**

Within the Los Angeles assessment area, Cathay Bank is a leader in making community development loans. The bank extended an excellent level of community development loans consistent with the bank's overall performance. The bank originated 51 community development loans for \$142.4 million within the assessment area and represents the most significant portion of the bank's community development lending activities. The majority of these loans were extended in designated Empowerment Zones and Enterprise Communities. Please refer to the comments in the Community Development Lending section starting on page 16 regarding the discussion of the bank's performance in the combined assessment areas for additional details of the community development loans extended in the Los Angeles assessment area.

## **Innovative and/or Flexible Lending Practices**

Cathay Bank makes use of flexible lending practices in order to serve assessment area credit needs. Please refer the Flexible Lending Programs section of this public evaluation starting on

page 18 for additional details regarding these programs. Although these programs are not considered innovative, they contain flexible lending terms to assist borrowers who would otherwise not qualify for traditional banking products.

## INVESTMENT TEST

Cathay Bank has an excellent level of qualified community development investments and grants, which reflects an excellent responsiveness to credit and community economic development needs based on the opportunities for such investments and is consistent with the bank’s performance overall. In addition, the bank makes extensive use of complex investments to support community development initiatives including affordable housing.

Cathay Bank has 36 qualified investments with community development as its primary purpose totaling \$16.9 million were identified, including outstanding debt or equity investments made or held, and qualified grants and donations made during the review period. The following table provides a description of the types of investments by dollar volume and quantity.

| <b>Table 15 - Qualified Investments in the Los Angeles AA</b>       |               |                           |
|---|---------------|---------------------------|
| <b>DESCRIPTION</b>  | <b>NUMBER</b> | <b>DOLLARS<br/>(000s)</b> |
| Affordable Housing Rehabilitation and Construction *                | 5             | 16,736                    |
| Mortgage-Backed Securities targeted to LMI individuals and/or areas | 0             | 0                         |
| Financial Intermediaries  | 0             | 0                         |
| <b>Total Debt or Equity Investments</b>                             | <b>5</b>      | <b>16,736</b>             |
| Other Qualified Grants and Donations                                | 31            | 121                       |
| <b>Total Qualified Grants and Donations</b>                         | <b>31</b>     | <b>121</b>                |
| <b>Grand Total</b>  | <b>36</b>     | <b>16,857</b>             |

*Source: Bank Records \*=LIHTC*

The following are examples of debt or equity investments and qualified grants and donations held or made by the bank in the Los Angeles assessment area during the review period.

- Cathay Bank is a partner in four limited partnerships that have supported either the renovation or construction of 16 affordable housing projects throughout the assessment area

and invested \$11.4 million during the review period. These projects contain over 400 affordable housing units that specifically target low- and moderate-income individuals or families.

- Cathay Bank invested \$5.3 million in a multifamily housing revenue bond to facilitate the construction of a 46-unit affordable housing project in Los Angeles, California. Bonds of this type generate funds for the provision of mortgages for qualified low- and moderate-income housing projects.

Cathay Bank made 31 grants and/or donations totaling \$121,000 to various community organizations that serve community development purposes in the Los Angeles assessment area. Please refer to the grants and donations noted in the description assessment of the bank's overall Investment Test for additional information regarding the bank's performance in the Los Angeles assessment area.

## **SERVICE TEST**

The institution provides a good level of retail banking services and a limited level of community development services in the Los Angeles assessment area.

### **Retail Banking Services**

#### **Accessibility of Delivery Systems**

Cathay Bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank operates 12 offices within this assessment area with ATMs maintained at all of its branch locations. Branch offices are reasonably distributed throughout the assessment area. As shown in table 16 on the following page, the bank's distribution of branches in low-income census tracts at 8.3 percent exceeds the percentage of branches of all other financial institutions, census tracts, families, and small businesses in the assessment area. However, the distribution of branches in moderate-income areas at 16.7 percent is below the percentages of all other financial institutions, small businesses, and census tracts in those areas. Despite the high percentage of branches in middle-income geographies (50.0 percent) in relation to the other comparisons, several branches are adjacent to or within close proximity to moderate-income geographies.

Refer to Table 15 in Appendix F and I for additional branch information.

**Table 16**

| <b>Branch Distribution Analysis in the Los Angeles Assessment Area</b> |                                     |                 |               |              |            |              |
|--|-------------------------------------|-----------------|---------------|--------------|------------|--------------|
| <b>Office Type</b>   | <b>Income Level of Census Tract</b> |                 |               |              |            |              |
|  | <b>Low</b>                          | <b>Moderate</b> | <b>Middle</b> | <b>Upper</b> | <b>N/A</b> | <b>Total</b> |
| <b>Branch Offices</b>  |                                     |                 |               |              |            |              |
| Number of Branches   | 1                                   | 2               | 6             | 3            | 0          | 12           |
| Percent  | 8.3                                 | 16.7            | 50.0          | 25.0         | 0          | 100.0        |
| <b>Comparisons</b>   |                                     |                 |               |              |            |              |
| Percentage of Branches-All Banks (Excluding Cathay Bank)               | 6.2                                 | 24.1            | 31.6          | 37.5         | 0.6        | 100.0        |
| Census Tracts  | 224                                 | 893             | 968           | 971          | 17         | 3,073        |
| Percentage of Areas  | 7.3                                 | 29.1            | 31.5          | 31.6         | 0.5        | 100.0        |
| Percentage of Families   | 5.7                                 | 28.0            | 33.1          | 33.2         | 0          | 100.0        |
| Dun & Bradstreet Businesses  | 40,031                              | 160,553         | 205,822       | 252,917      | 2,196      | 661,519      |
| Percentage of Businesses   | 6.1                                 | 24.3            | 31.1          | 38.2         | 0.3        | 100.0        |

*Source: Bank Records, 2000 Census Data, and 2003 Dun & Bradstreet Business Data*

### Alternate Delivery Systems

Alternate delivery systems mirror those described under the bank-wide performance summary.

### Reasonableness of Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income areas and/or individuals. All of the bank's branch offices are full service and the hours generally reflect the needs of the local communities that they serve. For added service, all branches within the assessment area have expanded Saturday banking hours. In addition, two offices have extended walk-up or drive-through banking hours.

### Changes in Office Locations

To the extent that changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the last evaluation, Cathay bank has not opened or closed any branch offices in this assessment area.

### Community Development Services

Cathay Bank provides a limited level of community development services in the Los Angeles assessment area. A significant majority of the bank's community development services focus on providing community services to low- and moderate-income individuals and small businesses. Below are some examples of employees' involvement in organizations that foster community services targeted to low- and moderate-income individuals, and small businesses.

- A bank officer serves on the Board and as chairman of the Economic Structure Committee of a merchant education program for small businesses in the Los Angeles Chinatown area.

- A bank director serves as the president of a merchant education program for small businesses in the Los Angeles Chinatown area.
- Bank officers' participated in a one-day lender's expo designed for small businesses. Four bank loan officers interviewed applicants and walked through the loan application process for SBA loans.
- Cathay Bank sponsored a finance student intern from a low-income area school.
- Former compliance manager served on a local banker's initiative that assists various non-profit community organizations through fundraising.
- Bank officers' spent several hours teaching banking services, including checking and savings accounts, credit, and investments to inner city middle and high school students.
- Lending staff participated in a local homeownership fair.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SAN JOSE-SAN FRANCISCO-OAKLAND, CA COMBINED STATISTICAL AREA (CSA) – 488**

This assessment area encompasses portions of the San Jose-San Francisco-Oakland CSA-488, (San Francisco AA) which include the counties of Alameda, Contra Costa, San Francisco, and San Mateo in the San Francisco-Oakland-Fremont, CA MSA – 41860 and Santa Clara County in the San Jose-Sunnyvale-Santa Clara, CA MSA-41940.

Cathay Bank operates 7 of its 24 branch offices, in the San Francisco AA. The bank has no branch offices in low- or moderate-income census tracts. Two branch offices are in middle-income census tracts and five are in upper-income geographies. All branches offer similar credit and financial services as those offices in other assessment areas.

CB originated 195 home mortgage loans for approximately \$73 million in the San Francisco AA during the period of review. This represents 25.5 percent by number and 27.6 percent by dollar volume of the total home mortgage loans originated within all assessment areas. In addition, a total of 201 small business loans totaling approximately \$74 million and 223 consumer loans totaling approximately \$37 million were originated in the assessment area during the period of review. This represents 16.9 percent by number and 19.0 percent by dollar volume of the total small business loans and 19.9 percent by number and 28.1 percent by dollar volume of the total consumer loans originated within the overall assessment areas. The bank did not originate a sufficient number of multi-family loans within this assessment area to develop a meaningful analysis. Therefore, multi-family loans were not included as part of this review.

## **DESCRIPTION OF ASSESSMENT AREA**

### **Demographic Characteristics**

#### **1990 Census Data**

The San Francisco assessment area contains 1,177 census tracts (87 low-, 216 moderate-, 471 middle-, 277 upper-income, and 126 with no income). Low- and moderate-income census tracts account for approximately 7.4 percent and 18.4 percent, respectively, of the total number of tracts within this assessment area. The estimated population of the assessment area according to the 1990 census data is 4,954,073.

#### **2000 Census Data**

Based on the 2000 Census data, census tracts total 1,161 (93 low-, 263 moderate-, 480 middle-, 322 upper-income, and 3 with no income). The percentage of low- and moderate-income census tracts changed to 8.0 percent and 22.7 percent, respectively, of the total number of tracts within the assessment area. The estimated population of the assessment area, according to the 2000 census data, is 5,559,036, which represents a 12 percent increase since 1990.

Similar to the Los Angeles AA, a modest number of residential lending opportunities exist in the low- and moderate-income geographies of this assessment area. Owner occupancy rates are lower in low- and moderate-income geographies compared to middle- and upper-income geographies. According to 2000 census data, only 2.4 percent of the 1,134,934 owner-occupied housing units in this assessment area are in low-income census tracts and 14.7 percent are in moderate-income census tracts. In addition, the assessment area contains 2,018,763 households, of which 23.2 percent are low-income, 16.6 percent are moderate-income, 19.2 percent are middle-income, and 40.9 percent are upper-income. Households living below the poverty level total 7.7 percent.

### **Housing Affordability**

Low- and moderate-income households find it extremely difficult to qualify for home mortgage loans in this high-cost housing area. The median family incomes for the San Francisco-Oakland-Fremont, CA MSA – 41860 (San Francisco MSA) and San Jose-Sunnyvale-Santa Clara, CA MSA – 41940 (San Jose MSA) were \$48,204 and \$53,771, respectively, in 1990. These figures are used to determine the income level of each geography for lending activities that occurred in 2002. Based on 2000 Census data, the median family income (MFI) for the San Francisco and San Jose MSAs were \$71,452 and \$81,717, respectively. These figures are used to determine the income level of each geography for lending activities that occurred during 2003. Based on estimates by HUD, the adjusted Median Family Income for 2002 and 2003 are as follows:

| <u>MSA</u>    | <u>MSA Number</u> | <u>2002 HUD MFI</u> | <u>2003 HUD MFI</u> |
|---------------|-------------------|---------------------|---------------------|
| San Francisco | 41860             | \$79,040            | \$82,615            |
| San Jose      | 41940             | \$96,000            | \$105,500           |

As of December 2003, the current median home sales prices in the four counties in the San Francisco MSA and San Jose MSA are:

| <u>MSA</u>    | <u>County</u> | <u>Median Home Price</u> |
|---------------|---------------|--------------------------|
| San Francisco | Alameda       | \$446,000                |
|               | Contra Costa  | \$395,000                |
|               | San Francisco | \$610,000                |
|               | San Mateo     | \$609,000                |
| San Jose      | Santa Clara   | \$505,000                |

As shown, the median home sales prices represent over five to seven times the HUD adjusted MFI in the San Francisco MSA areas and over four and a half times the HUD adjusted MFI in the San Jose MSA.

The San Francisco AA has over 245,569 licensed small businesses. The number of small businesses appears to be well dispersed across moderate, middle, and upper-income census tracts, which is consistent with the make-up of local communities. Commercial lending opportunities appear to be available in all census tracts of the assessment area with the most opportunities in middle- and upper-income geographies. Table 17 depicts the breakdown of small businesses by census tract income level.

| <b>Table 17 – Small Businesses by Geography</b> |                                   |                   |
|---|-----------------------------------|-------------------|
| <b>Census Tract Type</b>                        | <b>Number of Small Businesses</b> | <b>% of Total</b> |
| <b>Low-Income</b>                               | 25,534                            | 10.4              |
| <b>Moderate-Income</b>                          | 49,636                            | 20.2              |
| <b>Middle-Income</b>                            | 95,745                            | 39.0              |
| <b>Upper-Income</b>                             | 74,554                            | 30.4              |
| <b>No Income</b>                                | 100                               | 0                 |
| <b>Totals</b>                                   | <b>245,569</b>                    | <b>100.0</b>      |

Source: Dun and Bradstreet, 2003

**Economic Data**

**San Francisco MSA**

San Francisco’s economy has leveled off, but has yet to show evidence of a rebound. San Francisco’s unemployment rate has improved in recent months. At nearly 5 percent, it is lower than the national average by almost one-half of one percentage point and is down from a peak of over six percent at the end of 2003. Personal bankruptcy filings slightly declined in the third quarter. This was the first decline in over one year. The moderately improving economy, as indicated by the fall in business filings, is finally having an impact on household balance sheets. Improving balance sheets will provide some support for retail sales and the housing market, but any turn around will be slow in coming. Industrial production has increased since July, but manufacturing only accounts for four percent of the metro area’s total output, so the impact is moderate at best. A still-high office vacancy rate, however, indicates no improvement yet in commercial real estate markets, and residential real estate is also beginning to slow down. This economy is now at its bottom and is looking upward toward some renewed growth in the coming year. While San Francisco’s role as a financial center has diminished with the loss of its two major banking headquarters operations, a stronger stock market and improved demand for both commercial and consumer lending should strengthen the economy. A number of smaller banks are planning expansions in coming months in anticipation of such trends.

Housing markets are stable. Price appreciation has slowed to less than five percent over the prior year, indicating a reduced risk to the economy. Meanwhile, construction activity has picked up modestly for both single-family and multi-family units, generating a better supply and demand balance.

Oakland's economy is stable and is the best performing among the Bay area's three core metro areas. Employment is over the prior year because of a temporary surge in the fall of 2002. Over the past two years, however, there has been virtually no change in the total payroll employment in the Oakland metro area. More positive signs for the economy include a fall in the unemployment rate and a rise in industrial production. Similarly, housing markets have strengthened over the past six months. One disturbing indicator is a rising number of personal bankruptcies, which is indicative of some underlying stress in the economy. However, the rate of filings per household remains nearly half the nationwide average. Business filings are falling in a pattern similar to national levels, indicating the layoffs should further decline, which should relieve pressure on household finances. Rising house prices will also work to bolster household finances as homeowners' equity expands.

The largest employers by industry in the San Francisco MSA are State and Local Government, High-tech employment, and Computer-systems Design & Related Services. The table below reflects the composition of the area's economy.

| <b>Table 18-Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 43.8                              | \$307,170                           |
| <b>Manufacturing</b>  | 7.5                               | \$ 131,991                          |
| <b>Retail</b>   | 10.3                              | \$ 68,177                           |
| <b>Government</b>   | 15.6                              | \$ 114,390                          |
| <b>All Other</b>  | 22.8                              | NA                                  |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

### **San Jose MSA**

San Jose is still struggling to rebound from its deep recession. Industrial production has been rising over the past year, but the vast amount of excess capacity in nearly all industries has caused employment to continue to decline through the fall of 2003. Employment appears to be leveling off in the San Jose area, even as the downturn continues in tech-related industries. Current job gains are limited to construction, hotels, and restaurants. Business bankruptcy filings have been rising continuously since the tech downturn in late 2000. This contrasts with the rest of the nation where business filings have been on the decline now for two years. Personal bankruptcy filings are rising, but at a pace with national levels. Other economic indicators remain sparse, but retailers are no longer cutting staff, indicating some stability in personal

income and consumer spending. Real estate markets are experiencing some positive trends. Construction employment has been rising since March, largely due to an increase in residential construction permits. Moreover, house prices firmed in the third quarter.

The largest employers by industry in the San Jose MSA are high-tech employment, government, and semi/other electric component manufacturing. The table below reflects the composition of the area's economy.

| <b>Table 19-Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 39.8                              | \$164,598                           |
| <b>Manufacturing</b>  | 22.4                              | \$103,591                           |
| <b>Retail</b>   | 9.1                               | \$34,215                            |
| <b>Government</b>   | 10.8                              | \$ 54,158                           |
| <b>All Other</b>  | 17.9                              | NA                                  |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

### **Community Contacts**

Community contacts in the San Francisco assessment area included two Neighborhood Housing Services Organizations, (NHSO). One NHSO focuses primarily on the housing needs of the homeless population. The other focuses on the housing needs of low- and moderate-income individuals and households. Both organizations mentioned an ongoing need for affordable housing due to high costs and lower average median family income. The lack of available properties to be used as housing for the homeless continues to be a huge impediment in San Francisco. One way that bank's could assist is to provide programs for assistance in financing affordable housing for first time homebuyers. Both contacts spoke favorably of several financial institutions serving the various communities within the bank's assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SAN FRANCISCO AA**

### **LENDING TEST**

#### **Lending Activities**

CB's lending levels reflect a good responsiveness to the San Francisco assessment area credit needs. The overall geographic distribution of loans reflects good penetration throughout the assessment area. The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. A majority of small business loans were extended in amounts of \$250,000 and less. The bank has a relatively high level of community development loans.

#### **Geographic Distribution of Lending**

The geographic distribution reflects overall good penetration throughout the assessment area. Analysis of the bank's performance under this criterion was based on a review of home mortgage refinance, home purchase, multi-family, small business, and consumer loans originated in the San Francisco assessment area during the period of review. Small Business loans were weighted most heavily in the lending test.

#### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of total number and the percentage of small businesses are shown. The bank's 2002 penetration in low-income census tracts (19.6 percent) exceeded the aggregate lending data (9.4 percent) and percentage of small businesses (11.4 percent). Lending in moderate-income geographies (16.8 percent) is below the aggregate lending data (19.5 percent) and percentage of small businesses (19.1 percent).

In 2003, the bank's penetration in low-income census tracts (14.9 percent) reflects a decrease in penetration, but it exceeded the percentage of small businesses (11.1 percent). The bank's lending performance in moderate-income census tracts reflects a significant increase in penetration (29.8 percent), which exceeded the percentage of small businesses (20.3 percent).

## **HMDA Loans**

### **Home Mortgage Refinance Loans**

The geographic distribution of home mortgage refinance loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of total number and the percentage of owner-occupied units are shown for home mortgage refinance and home purchase loans. The bank's 2002 penetration in low-income census tracts (3.2 percent) exceeded the aggregate lending data (2.1 percent) and percentage of owner-occupied units (2.5 percent). Lending in moderate-income census tracts (21.0 percent) exceeded both the aggregate lending data (11.4 percent) and the percentage of owner-occupied units (13.5 percent).

The bank's 2003 lending performance in low-income census tracts reflects a significant increase in penetration (9.2 percent), which exceeded the percentage of owner-occupied units (2.4 percent). Lending in moderate-income census tracts (14.5 percent) reflects a decline in penetration and is comparable to the percentage of owner-occupied units (14.7 percent).

### **Home Purchase Loans**

The geographic distribution of home purchase loans reflects adequate penetration throughout this assessment area. The bank's 2002 penetration in low-income census tracts (5.9 percent) exceeded the aggregate lending data (3.3 percent) and the percentage of owner-occupied units (2.5 percent). Lending in moderate-income census tracts (11.8 percent) is less than the aggregate lending data (15.4 percent) and percentage of owner-occupied units (13.5 percent).

In 2003, the bank did not originate any home purchase loans in low-income census tracts. The bank's lack of lending in low-income areas is mitigated by several factors. The percentage of owner-occupied units and percentage of households in low-income census tracts reflects a nominal 2.4 percent and 6.9 percent, respectively, which demonstrates limited lending opportunities in these areas. In addition, the decline in interest rates in 2003 resulted in an increased emphasis and demand for home mortgage refinance loans. The lack of available housing stock and increase in the average home sale price further limits home ownership opportunities in these areas.

Lending in moderate-income census tracts reflects an increased trend in penetration (12.5 percent), but is less than the percentage of owner-occupied units (14.7 percent).

### **Consumer Loans**

The geographic distribution of consumer loans reflects adequate penetration throughout the assessment area. For comparison, the percentage of households is shown. No aggregate lending data is available for consumer lending. The bank's 2002 lending performance in both low- and moderate-income census tracts (4.2 percent and 15.0 percent, respectively) is less than the percentage of households (6.8 percent and 20.6 percent, respectively) in these areas.

The 2003 lending performance in low-income census tracts (7.8 percent) reflects an increased trend in penetration, which exceeded the percentage of households (6.9 percent). Lending in moderate-income census tracts reflects a decline in penetration (10.7 percent), which is less than the percentage of households (20.8 percent).

## **Lending to Borrowers of Different Incomes and Business of Different Sizes**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes.

### **Borrower Characteristics**

#### **Small Business Loans**

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. The analysis shows that the bank's lending activity for loans made to businesses with Gross Annual Revenues (GARs) of \$1 million or less in 2002 (44.9 percent) significantly exceeded the aggregate market data (26.4 percent), but is less than the percentage of small businesses (57.3 percent). These loans were further stratified by loan size. As a result, 51.0 percent by number of total small business loans were made to businesses for amounts of \$250,000 or less.

Although the bank's performance is much lower than the overall percentage of small businesses within this revenue category, the bank's performance exceeds that of the aggregate lending data. The aggregate lending data provides a better comparison because not all businesses have the financial capability to qualify for bank loans. The aggregate data reflects the market demand for credit from qualified borrowers. The bank's performance relative to the market data shows that the bank actively grants credit to small businesses.

The bank's lending activity in 2003 reflects similar performance. Lending to businesses with GARs of \$1 million or less in 2003 (46.8 percent) shows a slight increase in penetration, but continued to be less than the percentage of small businesses (61.1 percent). Approximately, 48.9 percent of these loans were made to businesses for amounts of \$250,000 or less.

#### **HMDA Loans**

For comparison purposes, the aggregate lending data as a percentage of the total number of loans and the percentage of families are shown for home mortgage refinance and home purchase loans.

#### **Home Mortgage Refinance Loans**

The distribution of home mortgage refinance loans reflects good penetration among borrowers of different income levels within the assessment area. The analysis shows that the bank's lending activity to low-income borrowers in 2002 (1.6 percent) is less than the aggregate lending data

(3.8 percent) and percentage of families (20.0 percent). However, lending to moderate-income borrowers (21.0 percent) exceeded both the aggregate lending data (13.5 percent) and percentage of families (18.1 percent).

The bank's 2003 lending to low-income borrowers reflects a favorable trend in penetration (2.6 percent), but continued to be less than the percentage of families (21.1 percent). Lending to moderate-income borrowers reflects a favorable trend in penetration (29.0 percent), which exceeded the percentage of families (17.8 percent)

### **Home Purchase Loans**

The distribution of home purchase loans reflects good penetration among borrowers of different income levels. The analysis shows that the bank's lending activity to low-income borrowers in 2002 (5.9 percent) exceeded the aggregate lending data (1.5 percent), but is less than the percentage of families (20.0 percent). Lending to moderate-income borrowers (11.8 percent) exceeded the aggregate lending data (9.8 percent), but is less than the percentage of families (18.1 percent).

In 2003, the bank did not originate any home purchase loans to low-income borrowers. Due to the high housing costs in this assessment area, a very limited number of lending opportunities exists to low-income borrowers, which mitigates the bank's lack of performance to low-income borrowers. Lending to moderate-income borrowers reflects a significant increase in penetration (31.3 percent), which exceeded the percentage of families (17.7 percent).

### **Consumer Loans**

The distribution of consumer loans reflects adequate penetration among borrowers of different income levels. The analysis shows that the bank's lending activity to low-income borrowers (16.4 percent) in 2002 is less than the percentage of households (22.5 percent). However, lending to moderate-income borrowers (20.9 percent) exceeded the percentage of households (17.4 percent).

The bank's 2003 lending to low-income borrowers reflects a significant decline in penetration (9.4 percent), which is less than the percentage of households (23.2 percent). Lending to moderate-income borrowers reflects a slight decline in penetration (19.8 percent), but continued to exceed the percentage of households (16.6 percent).

### **Record of Serving the Credit Needs of the Highly Economically Disadvantaged**

The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged of its assessment areas, low-income individuals, and small businesses consistent with safe and sound banking practices. As discussed in the distribution of borrowers lending analysis, the bank's lending activities to low-income borrowers generally exceeded the aggregate lending data. Furthermore, the geographic distribution analysis shows that the bank's performance in low-income areas exceeded the aggregate lending data. In addition, the

distribution of borrowers lending analysis shows that the bank's lending activities to small businesses with GARs of \$1 million or less exceeded the aggregate lending data.

### **Community Development Loans**

Within the San Francisco assessment area, the bank extended a high level of community development loans consistent with the bank's overall performance. Cathay Bank granted nine community development loans for \$30.1 million within the San Francisco assessment area. Many of the community development loans financed activities that revitalize and stabilize LMI areas by attracting businesses that employ low- and moderate-income individuals. Please refer to the comments in the Community Development Lending section starting on page 16 regarding the discussion of the bank's performance in the combined assessment areas for additional details of the community development loans extended in the San Francisco assessment area.

### **Innovative and/or Flexible Lending Practices**

Cathay Bank makes use of flexible lending practices in order to serve assessment area credit needs. Please refer the Flexible Lending Programs section of this public evaluation starting on page 18 for additional details regarding these programs. Although these programs are not considered innovative, they contain flexible lending terms to assist borrowers who would otherwise not qualify for traditional banking products.

### **INVESTMENT TEST**

Cathay Bank has a significant level of qualified community development investments and grants that benefit the San Francisco assessment area, which reflects a significant responsiveness to credit and community economic development needs based on the opportunities for such investments, and is consistent with the bank's performance overall. In addition, the bank makes significant use of complex investments to support community development initiatives including affordable housing. Some of the investments that benefit this assessment area are statewide low-income housing tax credits and are not reflected in the number and dollar totals within this section of the evaluation. Please refer to the equity investments section detailed in the bank's overall Investment Test section for additional information regarding these investments.

Cathay Bank has six qualified investments specific to the San Francisco assessment area with community development as its primary purpose totaling \$1.4 million, including outstanding debt or equity investments made or held, and qualified grants and donations made during the review period.

The following are examples of debt or equity investments and qualified grants and donations held or made by the bank during the review period.

- Cathay Bank continues to hold one FNMA issued and one FHLMC issued mortgage backed security for an aggregate book value of \$1.3 million. Underwriting requirements mandate that the principal amount of the securities be backed by loans made to LMI borrowers. The loans are secured by properties in the San Francisco assessment area.
- Cathay Bank invested \$100,000 in a certificate of deposit at a local community development financial institution. This program, which is administered by the California Organized Investment Network (COIN), provides an economic and social benefit to California's underserved urban and rural communities.

Cathay Bank made three grants and/or donations totaling \$10,000 to various community organizations that serve community development purposes in the San Francisco assessment area. Please refer to the grants and donations noted in the description assessment of the bank's overall Investment Test for additional information regarding the bank's performance in the San Francisco assessment area.

## **SERVICE TEST**

The institution provides an adequate level of retail banking services and no community development services in the San Francisco Assessment Area.

### **Retail Banking Services**

#### **Accessibility of Delivery Systems**

Cathay Bank's delivery systems are accessible to essentially all portions of the institution's San Francisco assessment area. The bank operates seven offices within this assessment area with ATMs at all of its branch locations. As shown in the table below, Cathay Bank has no branch offices in low- or moderate-income geographies. Over 70 percent of the bank's branch offices are in upper-income census tracts. However, a further review of the bank's branch structure in this assessment area shows that five of the seven branch offices are adjacent to low- and moderate-income geographies. Refer to Table 15 in Appendix F and I for additional branch information.

**Table 20**

| <b>Branch Distribution Analysis in the San Francisco Assessment Area</b> |                                     |                 |               |              |            |              |
|--|-------------------------------------|-----------------|---------------|--------------|------------|--------------|
| <b>Office Type</b>   | <b>Income Level of Census Tract</b> |                 |               |              |            | <b>Total</b> |
|  | <b>Low</b>                          | <b>Moderate</b> | <b>Middle</b> | <b>Upper</b> | <b>N/A</b> |              |
| <b>Branch Offices</b>  |                                     |                 |               |              |            |              |
| Number of Branches   | 0                                   | 0               | 2             | 5            | 0          | 7            |
| Percent  | 0                                   | 0               | 28.6          | 71.4         | 0          | 100.0        |
| <b>Comparisons</b>   |                                     |                 |               |              |            |              |
| Percentage of Branches-All Banks<br>(Excluding Cathay Bank)              | 14.8                                | 19.6            | 40.0          | 25.5         | 0.1        | 100.0        |
| Census Tracts  | 93                                  | 263             | 480           | 322          | 3          | 1,161        |
| Percentage of Areas  | 8.0                                 | 22.7            | 41.3          | 27.7         | 0.3        | 100.0        |
| Percentage of Families   | 5.7                                 | 20.0            | 44.3          | 30.0         | 0          | 100.0        |
| Dun & Bradstreet Businesses  | 25,534                              | 49,636          | 95,745        | 74,554       | 100        | 245,569      |
| Percentage of Businesses   | 10.4                                | 20.2            | 39.0          | 30.4         | 0          | 100.0        |

*Source: Bank Records, 2000 Census Data, and 2003 Dun & Bradstreet Business Data*

Alternate Delivery Systems

Alternate delivery systems mirror those described under the bank-wide performance summary.

Reasonableness of Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low-and moderate-income areas and/or individuals. All of the bank's branch offices are full service and the hours generally reflect the needs of the local communities that they serve. For added service, all branches within the assessment area have expanded Saturday banking hours.

Changes in Office Locations

To the extent that changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the last evaluation, Cathay bank has opened one office in this assessment area. The Union City Branch opened in October 2001 and is in a middle-income geography. No branch offices have been closed in this assessment area during the review period.

Community Development Services

Cathay Bank provided no qualified community development services in the San Francisco Assessment Area.

## **METROPOLITAN AREAS USING LIMITED-SCOPE EXAMINATION PROCEDURES**

### **DESCRIPTION OF OPERATIONS IN THE SACRAMENTO-ARDEN-ARCADE- ROSEVILLE, CA MSA – 40900**

This assessment area encompasses the entire county of Sacramento, which is wholly contained within the Sacramento-Arden-Arcade-Roseville, CA MSA – 40900 (Sacramento AA). Cathay Bank operates one of its 24 branch offices, in the Sacramento AA, which opened on September 9, 2002. The branch office is in a moderate-income census tract. The branch office offers the same credit and financial services as branches located in other assessment areas. The bank operates one ATM at this branch office.

CB originated 13 home mortgage loans totaling approximately \$2 million in the Sacramento assessment area during the period of review. This represents 1.7 percent by number and 0.9 percent by dollar volume of the total home mortgage loans originated within all assessment areas. In addition, a total of six small business loans totaling approximately \$1.6 million and three consumer loans in the amount of \$223 thousand were originated in the assessment area during the period of review. This represents 0.5 percent by number and 0.4 percent by dollar volume of the total small business loans and 0.3 percent by number and 0.2 percent by dollar volume of the total consumer loans originated within all assessment areas. As shown, lending activities within the Sacramento assessment area are very nominal compared to other assessment areas.

### **DESCRIPTION OF THE ASSESSMENT AREA**

#### **Demographic Characteristics**

##### **1990 Census Data**

The Sacramento assessment area contains 207 census tracts (17 low-, 48 moderate-, 92 middle-, 50 upper-income, and 0 with no income). Low- and moderate-income census tracts account for 8.2 percent and 23.2 percent, respectively, of the total number of tracts within this assessment area. The estimated population of the assessment area according to the 1990 census data is 1,041,219.

##### **2000 Census Data**

Based on the 2000 Census data, the number of census tracts totals 279 (26 low-, 81 moderate-, 105 middle-, 67 upper-income, and 0 with no income). The percentage of low- and moderate-income census tracts increased to 9.3 percent and 29.0 percent, respectively, of the total number of tracts within the assessment area. The estimated population of this assessment area according to 2000 census data is 1,233,499, an 18.5 percent increase since 1990.

Similar to the other assessment areas, a modest number of residential lending opportunities exist in the low- and moderate-income census tracts of this assessment area. Owner occupancy rates are lower in low- and moderate income census tracts compared to middle- and upper-income geographies. According to 2000 census data, 4.8 percent of the 263,811 owner-occupied housing units in this assessment area are in low-income census tracts and 23.4 percent are in moderate-income census tracts. In addition, the assessment area contains 453,841 households, of which 24.1 percent are low-income, 17.8 percent are moderate-income, 19.8 percent are middle-income, and 38.3 percent are upper-income. The percentage of households in both low- and moderate-income census tracts that are receiving public assistance are 21.5 percent and 47.3 percent, respectively. Households below the poverty level total 11.5 percent. These demographics indicate that a limited number of residential lending opportunities exist in the low-income geographies within this assessment area.

### **Housing Affordability**

Low- and moderate-income households find it extremely difficult to qualify for home mortgage loans in this high-cost housing area. The median family income for the Sacramento AA was \$38,850 in 1990. This figure is used to determine the income level of each geography for lending activities that occurred in 2002. Based on 2000 Census data, the MFI for the Sacramento AA was \$54,006. These figures are used to determine the income level of each geography for lending activities that occurred during 2003. Based on estimates by the Department of Urban Development (HUD), the adjusted Median Family Income (MFI) for 2002 and 2003 are as follows:

| <b>2002 HUD MFI</b> | <b>2003 HUD MFI</b> |
|---------------------|---------------------|
| \$57,300            | \$59,800            |

The current median home price as of December 2002 in the Sacramento AA was \$250,000. This represents over four times the 2003 HUD adjusted MFI in the assessment area.

The Sacramento AA has over 45,660 licensed small businesses. The number of small businesses appears to be well dispersed across moderate, middle, and upper-income census tracts, which is consistent with the make-up of local communities. Commercial lending opportunities appear to be available in all census tracts of the assessment area. Table 21 depicts the breakdown of small businesses by census tract income level.

| <b>Table 21– Small Businesses by Geography</b> |                                   |                   |
|--|-----------------------------------|-------------------|
| <b>Census Tract Type</b>                       | <b>Number of Small Businesses</b> | <b>% of Total</b> |
| <b>Low-Income</b>                              | 4,150                             | 9.1               |
| <b>Moderate-Income</b>                         | 13,360                            | 29.3              |
| <b>Middle-Income</b>                           | 15,567                            | 34.1              |
| <b>Upper-Income</b>                            | 12,591                            | 27.5              |
| <b>No Income</b>                               | 0                                 | 0                 |
| <b>Totals</b>                                  | <b>45,668</b>                     | <b>100.0</b>      |

Source: Dun and Bradstreet, 2003

### **Economic Characteristics**

Sacramento’s economy is close to recession. State budget constraints are creating attrition among state and local government workers. Tech-based industries also continue to layoff workers leading to a net loss in total employment over the past year. The unemployment rate remains near its cyclical high at 5.4 percent. With a weakening economy and government payrolls constricting, household and business balance sheets could deteriorate. Already, business bankruptcy filings rose during the 12-month period ending in the third quarter 2003. Personal bankruptcy filings could rise as well due to layoffs in either the private or public sector. Such a trend would hit both residential and commercial property markets, as demand would suffer. The rapidly expanding retail market also could take a temporary hit if broad state layoffs are instituted.

The housing market, while it has slowed down slightly, is still experiencing price appreciation rates of about 15 percent over the year. More than two years of strong construction activity have helped to close the gap between housing supply and demand. The market now appears to be close to balance, with some risk that supply could exceed demand if the economy were to slow further. Price appreciation has slowed, reflecting the improved balance in the market. Office vacancy rates rose through the third quarter 2003. The rate remains below the national average, but the fact that it continues to rise, at a time when rates have stabilized even in the Silicon Valley, is indicative of the risks that still face the Sacramento office market. Industrial markets are even weaker, as tech firms shrink their presence in Sacramento.

Major industries in the Sacramento AA include state and local government, high-tech employment, and employment services. The table below reflects the composition of the area’s economy.

| <b>Table 22-Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 34.5                              | \$117,040                           |
| <b>Manufacturing</b>  | 5.5                               | \$57,921                            |
| <b>Retail</b>   | 11.3                              | \$26,294                            |
| <b>Government</b>   | 26.3                              | \$51,927                            |
| <b>All Other</b>  | 22.4                              | NA                                  |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SACRAMENTO AA**

### **LENDING TEST**

#### **Lending Activity**

The bank's lending in the Sacramento assessment area represents a minor portion of the bank's lending performance in all assessment areas. The bank's lending performance in this assessment area is below the bank's overall performance given the limited volume of loans; however, it does not change the overall conclusions and rating for the state. As previously stated, the bank extended a total of 13 home mortgage loans, 6 small business loans, and 3 consumer loans since the Sacramento branch opened on September 9, 2002. While the volume of loans appears low, the overall performance is considered adequate given the level of competition and the bank's limited presence in this assessment area during the period of review.

#### **Community Development Lending**

Within the Sacramento assessment area, the bank extended a low level of community development loans, which is not consistent with the bank's overall performance. However, the bank's level of community development loans in the Sacramento AA is adequate considering that the single branch just opened in September 2002. The bank granted two community development loans for \$3.7 million within the Sacramento assessment area. Commercial buildings in Sacramento area Enterprise Zones secure both loans. Please refer to the comments in the Community Development Lending section starting on page 16 regarding the discussion of the bank's performance in the combined assessment areas for additional details of the community development loans extended in this assessment area.

## **Innovative and/or Flexible Lending Practices**

Cathay Bank makes use of flexible lending practices in order to serve assessment area credit needs. Please refer the Flexible Lending Programs section of this public evaluation starting on page 18 for additional details regarding these programs. Although these programs are not considered innovative, they contain flexible lending terms to assist borrowers who would otherwise not qualify for traditional banking products.

## **INVESTMENT TEST**

Cathay Bank has an adequate level of qualified community development investments in the Sacramento AA, which reflects an adequate responsiveness to credit and community economic development needs based on the opportunities for such investments that is consistent with the bank's overall performance. In addition, the bank occasionally uses complex investments to support community development initiatives including affordable housing. All investments in this assessment area are tied to statewide low income housing tax credits that are described in detail on page 20 of this evaluation. Cathay Bank has not made any qualified grants or donations in this assessment area.

## **SERVICE TEST**

Cathay Bank's level of retail banking services in the Sacramento assessment area is consistent with the overall retail services in California. The bank operates one branch within this assessment area, which lies within a moderate-income geography. This de novo branch opened for business on September 9, 2002. The bank did not participate in any qualified community development services within this assessment area during the review period.

## STATE OF NEW YORK

**CRA RATING FOR CALIFORNIA:**            *Satisfactory*

*The Lending Test is rated:*                *High Satisfactory*

*The Investment Test is rated:*            *Low Satisfactory*

*The Service Test is rated:*                *Needs to Improve*

### SCOPE OF EXAMINATION

The rating for the State of New York is based on a full scope off-site evaluation of the bank's performance in the New York assessment area. A minor portion of the bank's overall lending, investments, and services are attributed to the state of New York assessment area. Performance within the state of New York received less weight in determining the bank's overall CRA rating.

The evaluation focused on home mortgage, small business, and community development loan originations, and qualified investments and services. Loans reported pursuant to the Home Mortgage Disclosure Act and Community Reinvestment Act data collection requirements for 2002 and 2003 were included in the review. The review was limited to loan originations since the bank has not purchased any loans. All aggregate lending data used in the analysis is for the year 2002. Aggregate lending data for 2003 was not available. Information from recently completed community contacts in the assessment area was also reviewed.

Small Business loans are weighted most heavily in the lending performance context of this review. The bank did not originate a sufficient number of home purchase, home refinance, and consumer loans within this assessment area to develop a meaningful analysis. Therefore, these loan types are not included in this review. The bank's lending strategy in the New York assessment area focuses primarily on commercial loans to small and medium size businesses. Home mortgage purchase and refinance loans are extended on an accommodation basis to bank customers in this assessment area.

### DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN NEW YORK AA

This assessment area encompasses portions of the New York-Newark-Edison, NY-NJ-PA Metropolitan Statistical Area – 35620 (New York MSA), which includes the entire counties of New York, Kings, and Queens (New York AA). The assessment area consists of whole census tracts, does not arbitrarily exclude any LMI census tracts, and reflects no illegal discrimination

Cathay Bank operates 3 of its 24 full service branch offices (12.5 percent of all branch locations) within the New York AA. All three branch offices are in moderate-income census tracts. The branches offer similar credit and financial services as branches located in other assessment areas.

CB originated 35 home mortgage loans totaling approximately \$21 million in the New York AA during the period of review. This represents 4.6 percent by number and 8.1 percent by dollar

volume of the total home mortgage loans originated within all assessment areas. In addition, 48 small business loans totaling approximately \$18M and 3 consumer loans totaling \$350 thousand were also originated in the New York AA. This represents 4.0 percent by number and 4.7 percent by dollar of the total small business loans and 0.3 percent by number and dollar volume of the total consumer loans originated within all assessment areas.

## **DESCRIPTION OF THE ASSESSMENT AREA**

### **Demographic Characteristics**

#### **1990 Census Data**

The New York AA contains 1,760 census tracts (184 low-, 352 moderate-, 666 middle-, 511 upper-income, and 47 with no income). Low- and moderate-income census tracts account for 10.5 percent and 20.0 percent, respectively, of the total number of tracts within this assessment area. The estimated population of the assessment area according to the 1990 census data is 5,739,798.

#### **2000 Census Data**

Based on the 2000 Census data, the total number of census tracts total 1,752 (159 low-, 446 moderate-, 574 middle-, 531 upper-income, and 42 with no income). The percentage of low- and moderate-income census tracts changed to 9.1 percent and 25.5 percent, respectively, of the total number of tracts within the assessment area. The estimated population of the assessment area according to the 2000 census data increased to 6,231,900. The population is comprised of 2,402,819 households, of which 204,752 or 8.5 percent are in low-income census tracts and 656,018 or 27.3 percent are in moderate-income tracts.

The assessment area contains 721,879 owner-occupied housing units or 28.4 percent of total housing units. This is significantly lower than the bank's other assessment areas. Owner occupancy rates are lower in low- and moderate-income census tracts compared to middle- and upper-income geographies. Only 1.9 percent of the housing units in low-income census tracts are owner-occupied. Moderate-income census tracts account for 15.0 percent of the owner-occupied housing units. Occupied rental units comprise a substantial portion of total housing units in the assessment area at 66.0 percent. The percentages of households in low- and moderate-income census tracts that are receiving public assistance are 36.1 percent and 17.5 percent, respectively. Moreover, the percentage of households in low- and moderate-income census tracts below the poverty level is 44.2 percent and 27.1 percent, respectively. These demographics indicate that a very limited number of residential lending opportunities exist in the low- and moderate-income census tracts in this assessment area.

The New York AA has over 264,970 licensed small businesses. The number of small businesses appears to be well dispersed across moderate, middle, and upper-income census tracts, which is consistent with the make-up of local communities. Commercial lending opportunities appear to be available in all census tracts of the assessment area, with most opportunities within moderate-,

middle-, and upper-income geographies. Table 23 depicts the breakdown of small businesses by census tract income level.

| <b>Table 23 – Small Businesses by Geography</b> |                                   |                   |
|---|-----------------------------------|-------------------|
| <b>Census Tract Type</b>                        | <b>Number of Small Businesses</b> | <b>% of Total</b> |
| <b>Low-Income</b>                               | 12,900                            | 9.1               |
| <b>Moderate-Income</b>                          | 51,845                            | 25.5              |
| <b>Middle-Income</b>                            | 60,427                            | 32.8              |
| <b>Upper-Income</b>                             | 135,503                           | 30.2              |
| <b>No Income</b>                                | 4,301                             | 2.4               |
| <b>Totals</b>                                   | <b>264,976</b>                    | <b>100.0</b>      |

Source: Dun and Bradstreet, 2003

## **Economic Data**

### **New York MSA**

New York City is finally emerging from more than two years of economic decline. The economy is no longer losing jobs from one month to the next, and employment levels are only modestly lower than they were a year ago. Through November, total employment had fallen by fewer than 15,000 jobs in 2003, about one-third of the number lost through all of 2002. Moreover, consumer confidence jumped in the third quarter to a level not seen in nearly two years. The improvement comes even as the housing market, which had been sustaining household spending, begins to stall.

Thanks, largely to low mortgage rates in 2003, the housing market helped produce an increase in construction employment for much of the year. With the slow down of the housing market, however, the industry will probably end the year with about a two percent gain in employment. The outlook is bright as commercial construction is expected to increase in 2004, including an expected ground breaking at the World Trade Center this spring.

The largest employers by industry in the New York MSA are high-tech employment, general medical and surgical hospitals, and securities and commodity exchanges. The table below reflects the composition of the area's economy.

| <b>Table 24-Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 44.2                              | \$170,383                           |
| <b>Financial Activities</b>                                   | 11.6                              | \$142,817                           |
| <b>Retail</b>   | 8.0                               | \$ 29,540                           |
| <b>Government</b>   | 16.0                              | \$ 52,157                           |
| <b>All Other</b>  | 20.2                              | NA                                  |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

### **Community Contacts**

Community contacts in the New York assessment area included one affordable housing organization and one Community Development Financial Institution (CDFI). The affordable housing organization mentioned an ongoing need for affordable housing. New York is a high-density community, which causes the cost of building affordable housing prohibitive. According to the contact, 40 percent of the population is low-income individuals who live on welfare, are senior citizens, minorities, or single women with young children and are in need of affordable housing. With the high cost of real estate in New York, it is impossible to build affordable housing in the area. Local financial institutions are willing to participate in conventional housing loan programs rather than tenant cooperatives, which is being promoted by the government at this time. While banks are willing to participate in conventional housing loan programs, the opportunities are not there. The contact felt that only Federal government intervention could help find a solution to the lack of affordable housing in New York. The CDC identified a credit need for small business, especially start-up small businesses. According to the contact, banks do not have a good record of lending to small businesses. There are a several key banks that lend to small businesses, but not all banks have lending programs for small businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NEW YORK AA**

### **LENDING TEST**

#### **Lending Activities**

CB's lending levels reflects an overall good responsiveness to the New York assessment area credit needs. The overall geographic distribution of loans reflects excellent penetration throughout the assessment area. The distribution of borrowers reflects excellent penetration among business customers of different sizes. The bank has an adequate level of community development loans. Refer to tables in Appendix G and J for additional data used to evaluate the bank's lending performance in New York.

#### **Geographic Distribution of Lending**

The geographic distribution reflects an overall excellent penetration throughout the assessment area. Analysis of the bank's performance under this criterion was based on a review of small business and multi-family loans originated in the bank's New York assessment area during the period of review. Small Business loans were weighted most heavily in the lending test.

#### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of the total number of small business loans and the percentage of small businesses are shown. The bank's 2002 penetration in low-income census tracts (10.5 percent) exceeded the aggregate lending data (5.2 percent) and percentage of small businesses (5.9 percent). Lending in moderate-income census tracts (42.1 percent) significantly exceeded both the aggregate lending data (18.2 percent) and percentage of small businesses (19.5 percent).

In 2003, the bank's penetration in low-income census tracts (8.0 percent) reflects a moderate decline in penetration, but exceeded the percentage of small businesses (4.7 percent). Lending in moderate-income census tracts reflects a significant decline in penetration (24.0 percent), but exceeded the percentage of small businesses (18.8 percent).

#### **HMDA Loans**

Cathay Bank originated 19 multi-family loans during 2002 and 2003 in the New York assessment area. While the number of loans is not significant, they represent approximately 54 percent of all home mortgage loan originations. In addition, this area was considered in the evaluation given that occupied rental units comprise over 66 percent of the total housing units in this assessment area.

## **Multi-Family Loans**

The geographic distribution of multi-family loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of the number of multi-family housing loans and the percentage of multi-family units are shown. The bank's 2002 penetration in low-income census tracts (12.5 percent) is slightly less than the aggregate lending data (13.6 percent) and the percentage of multi-family units (13.4 percent). However, lending in moderate-income census tracts (75.0 percent) significantly exceeded the aggregate lending data (31.9 percent) and percentage of multi-family units (23.6 percent).

The bank's 2003 lending activity in low-income census tracts (9.1 percent) reflects a decline in penetration, which is moderately below the percentage of multi-family units (11.5 percent). However, lending in moderate-income census tracts reflects an increase in penetration (90.9 percent), which significantly exceeded the percentage of multi-family units (29.2 percent).

## **Lending to Businesses of Different Sizes**

The distribution of borrowers reflects, given the product lines offered by the institution, an overall excellent level of penetration among business customers of different sizes.

## **Borrower Characteristics**

### **Small Business Loans**

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. The analysis shows that the bank's lending activity for loans made to small businesses with Gross Annual Revenues (GARs) of \$1 million or less in 2002 (60.9 percent) significantly exceeded the aggregate market data (33.4 percent) and is slightly higher than the percentage of small businesses (56.9 percent). These loans were further stratified by loan size. As a result, 60.9 percent by number of total small business loans were made to businesses in amounts of \$250,000 or less.

The bank's lending activity in 2003 reflects similar performance. A majority of small business loans were made to small businesses with GARs of \$1 million or less in 2003 (52.0 percent), but was less than the percentage of businesses (61.9 percent). However, the percentage of small business loans, by number, made to businesses in amounts of \$250,000 or less declined to 48.0 percent.

## **Record of Serving the Credit Needs of the Highly Economically Disadvantaged**

The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its New York assessment area and very small businesses consistent with safe and sound banking practices. As discussed in the geographic distribution analysis, the percentage of small businesses in low-income census tracts exceeds the aggregate lending data.

The distribution of borrowers lending analysis shows that the bank's lending activities to small businesses with GARs of \$1 million or less exceeded the aggregate lending data. In addition, a majority of small business loans were extended in amounts of \$250,000 or less in 2002, with a slight decline in 2003. The bank's geographic distribution of multi-family loans in low-income geographies is only slightly below aggregate lending levels in 2002. While the percentage of lending activity in low-income census tracts declined slightly in 2003, it does not reflect negatively on the bank's overall performance in this area.

### **Community Development Loans**

The bank has made an adequate level of community development loans in the New York assessment area. In 2003, the bank extended two community development loans totaling \$18 million. Most notably, the bank extended a \$15 million loan to construct a large commercial building in the New York assessment area. The property is located in a moderate-income geography and will stabilize the area by providing jobs to low- and moderate-income residents in the area.

### **Innovative and/or Flexible Lending Practices**

Cathay Bank makes use of flexible lending practices in order to serve assessment area credit needs. Please refer the Flexible Lending Programs section of this public evaluation starting on page 18 for additional details regarding these programs. Although these programs are not considered innovative, they contain flexible lending terms to assist borrowers who would otherwise not qualify for traditional banking products.

### **INVESTMENT TEST**

Cathay Bank has a low level of qualified community development investments and grants, which reflects an adequate responsiveness to credit and community economic development needs based on the opportunities for such investments. In addition, the bank rarely uses innovative and/or complex investments to support community development initiatives including affordable housing.

The bank has five qualified investments with community development as its primary purpose totaling \$4.6 million, including outstanding debt or equity investments made or held, and qualified grants and donations made during the review period.

The following are examples of debt or equity investments and qualified grants and donations held or made by the bank during the review period.

- Cathay Bank is a partner in two limited partnerships that have supported either the renovation or construction of 11 affordable housing projects throughout its New York assessment area and invested \$4.0 million during the review period. These projects contain over 600

affordable housing units that specifically target low- and moderate-income individuals or families.

- Cathay Bank continues to hold one FNMA issued mortgage backed security for a book value of \$638,486. Underwriting requirements mandate that the principal amount of the securities be backed by loans made to LMI borrowers. The loans are secured by properties in the New York assessment area.

Cathay Bank made two grants and/or donations totaling \$2,200 to various community organizations that serve community development purposes in the New York assessment area. Please refer to the grants and donations noted in the description assessment of the bank's overall Investment Test for additional information regarding the bank's performance in the State of New York assessment area.

## **SERVICE TEST**

Cathay Bank's New York State Service Test rating is Needs to Improve. Delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank has provided only one qualified community development service within the state during the review period.

### **Retail Banking Services**

#### **Accessibility of Delivery Systems**

Cathay Bank's delivery systems in the New York Assessment Area are reasonably accessible to essentially all portions of the institution's assessment area. The bank operates three branch offices in the New York Assessment Area. All of the branch offices are in moderate-income geographies. As shown in the table below, the distribution of branch offices in moderate-income areas at 100.0 percent is well above the percentages of all other financial institutions, families, small businesses, and census tracts in the assessment area.

**Table 25**

| <b>Branch Distribution Analysis in the New York Assessment Area</b>       |                                     |                 |               |              |            |              |
|---|-------------------------------------|-----------------|---------------|--------------|------------|--------------|
| <b>Office Type</b>  | <b>Income Level of Census Tract</b> |                 |               |              |            | <b>Total</b> |
|   | <b>Low</b>                          | <b>Moderate</b> | <b>Middle</b> | <b>Upper</b> | <b>N/A</b> |              |
| <b>Branch Offices</b>   |                                     |                 |               |              |            |              |
| Number of Branches  | 0                                   | 3               | 0             | 0            | 0          | 3            |
|   | 0                                   | 100.0           | 0             | 0            | 0          | 100.0        |
| <b>Comparisons</b>  |                                     |                 |               |              |            |              |
| Percentage of Branches-All Financial Institutions (Excluding Cathay Bank) | 5.1                                 | 20.3            | 24.8          | 47.6         | 2.2        | 100.0        |
| Census Tracts   | 159                                 | 446             | 574           | 531          | 42         | 1,752        |
| Percentage of Areas   | 9.1                                 | 25.5            | 32.7          | 30.3         | 2.4        | 100.0        |
| Percentage of Families  | 9.9                                 | 30.5            | 31.6          | 28.0         | 0          | 100.0        |
| Dun & Bradstreet Businesses   | 12,900                              | 51,845          | 60,427        | 135,503      | 4,301      | 264,976      |
| Percentage of Businesses  | 9.1                                 | 25.5            | 32.8          | 30.2         | 2.4        | 100.0        |

*Source: Bank Records, 2000 Census Data, and 2003 Dun & Bradstreet Business Data*

### Alternate Delivery Systems

Alternate delivery systems generally mirror those described under the bank-wide performance summary. The bank maintains ATM facilities at two of its three branch locations. On-line bill payment services are not available to accountholders in the New York Assessment Area.

### Reasonableness of Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low-and moderate-income areas and/or individuals. All of the bank's branch offices are full service and the hours reflect the needs of the local communities that they serve. For added service, all branches have expanded Saturday and Sunday banking hours from 9:30 a.m. to 3:00 p.m.

### Changes in Office Locations

Since the last evaluation, Cathay Bank opened one branch office in the New York Assessment Area. This branch is in a moderate-income geography. To the extent possible, the change has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

### Community Development Services

Cathay Bank provides few, if any, community development services in the New York Assessment Area. Only one qualified community development service was conducted during the review period. This service involved bank officers' participating in three financial related educational seminars using the Money Smart program over a one day period covering such topics as checking and savings accounts and credit.

## STATE OF TEXAS

**CRA RATING FOR CALIFORNIA:**            *Satisfactory*

*The Lending Test is rated:*                    *High Satisfactory*

*The Investment Test is rated:*                *Low Satisfactory*

*The Service Test is rated:*                    *Needs to Improve*

### SCOPE OF EXAMINATION

The rating for the State of Texas is based on a full scope off-site evaluation of the bank's performance in the Harris County assessment area. A minor portion of the bank's overall lending, investments, and services are attributed to the state of Texas assessment area. Performance within the state of Texas received less weight in determining the bank's overall CRA rating.

The evaluation focused on small business and community development loan originations, and qualifying investments and services. Cathay Bank's lending strategy in the Texas assessment area focuses primarily on construction loans of multi-family and corporate condominium projects. Loans reported pursuant to the Community Reinvestment Act data collection requirements for 2002 and 2003 were included in the review. Loans subject to HMDA reporting requirements are made only on an accommodation basis and represent a very nominal portion of overall lending in the Texas assessment area, which is consistent with the bank's lending strategy in this assessment area. The bank did not originate a sufficient number of home mortgage and consumer loans within this assessment area to develop a meaningful analysis. Therefore, home mortgage and consumer loans were not included as part of the review. The review was limited to loan originations since the bank has not purchased any loans. All aggregate lending data used in the analysis is for the year 2002. Aggregate lending data for 2003 was not available. Information from recently completed community contacts in the assessment area was also reviewed.

### DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN TEXAS

This assessment area encompasses the entire county of Harris, which is wholly contained in the Houston-Baytown-Sugar Land, TX MSA – 26420 (Harris County AA). The assessment area consists of whole census tracts, does not arbitrarily exclude any LMI census tracts, and reflects no illegal discrimination

Cathay Bank operates one of 24 full service branch offices within the Harris County AA. The branch office is in a moderate-income census tract. The branch office offers similar credit and financial services as branches located in other assessment areas.

Cathay Bank only originated four home mortgage loans totaling approximately \$3 million and 25 small business loans for approximately \$12.5 million in the Harris County AA during the period

of review. This represents 0.5 percent by number and 1.1 percent by dollar volume of the total home mortgage loans and 2.1 percent by number and 3.2 percent by dollar volume of all small business loans originated within all assessment areas.

## **DESCRIPTION OF THE ASSESSMENT AREA**

Harris County is the third largest county in the United States by population and is home to the fourth largest city in the nation, Houston. Harris County is situated in the Gulf Coast region of the state of Texas and is part of the Houston MSA. While classified as an urban county due to the size of its unincorporated population, many parts of the county maintain a rural atmosphere. In recent years, many people have relocated to the “Harris County/Houston MSA”. The growth in population is primarily due to the movement of immigrants into the area.

### **Demographic Characteristics**

#### **1990 Census Data**

The Harris County AA contains 582 census tracts (73 low-, 179 moderate-, 169 middle-, 147 upper-income, and 14 with no income). Low- and moderate-income census tracts account for 12.5 percent and 30.8 percent, respectively, of the total number of tracts within this assessment area. The estimated population of the assessment area according to the 1990 census data is 2,818,199.

#### **2000 Census Data**

Based on the 2000 Census data, census tracts totaled 649 (62 low-, 222 moderate-, 179 middle-, 179 upper-income, and 7 with no income). The percentage of low- and moderate-income census tracts changed to 9.6 percent and 34.2 percent, respectively, of the total number of tracts within the assessment area. The estimated population of the assessment area according to the 2000 census data increased to 3,400,578. The population is comprised of 1,206,423 households, of which 89,060 or 7.4 percent are in low-income census tracts and 378,403 or 31.4 percent are in moderate-income tracts. The percentage of households in low- and moderate-income census tracts below the poverty level are 35.0 percent and 19.9 percent, respectively.

The Harris County assessment area has over 152,430 licensed small businesses. The number of small businesses appears to be well dispersed across moderate, middle, and upper-income census tracts, which is consistent with the make-up of local communities. Commercial lending opportunities appear to be available in all census tracts of the assessment area with moderate-, middle-, and upper-income geographies with the most opportunities. Table 26 depicts the breakdown of small businesses by census tract income level.

| <b>Table 26 – Small Businesses by Geography</b> |                                   |                   |
|---|-----------------------------------|-------------------|
| <b>Census Tract Type</b>                        | <b>Number of Small Businesses</b> | <b>% of Total</b> |
| <b>Low-Income</b>                               | 9,138                             | 6.0               |
| <b>Moderate-Income</b>                          | 42,388                            | 27.8              |
| <b>Middle-Income</b>                            | 40,337                            | 26.5              |
| <b>Upper-Income</b>                             | 60,281                            | 39.5              |
| <b>No Income</b>                                | 289                               | 0.2               |
| <b>Totals</b>                                   | <b>152,433</b>                    | <b>100.0</b>      |

Source: Dun and Bradstreet, 2003

## **Economic Data**

### **Houston MSA**

The Houston economy continues to falter, despite several factors that should be supporting growth in the metro area. The rapid pace of energy exploration over the past year and the increase in the metro area's purchase managers index since early this year have yet to turn into significant job or income growth. Employers in the energy and manufacturing industries remain unwilling to hire due to the perceived uncertain nature of the current energy boom.

Unemployment continues to rise in the Houston area. The positive outlook for energy demand and prices in the near term remains the primary source of optimism for Houston. While energy exploration growth is beginning to moderate, activity should remain strong enough to drive the metro area in the near term.

Income growth has decelerated sharply in Houston, contributing to extremely weak consumer spending. The loss of several high paying jobs in the energy trading and high-tech industries is to blame for Houston's eroding income growth. Houston's manufacturing industry lost upwards of 12,000 jobs over the past two years.

The ongoing boom in residential real estate activity in Houston is of concern as it is expected to slow in the near term in response to building inventory and an expected hike in mortgage interest rates over the next year. The Houston single-family home market is undersupplied, but supply and demand balance has narrowed considerably in the past year. Although the metro area enjoyed above average population growth even through recession, permit issuance has well outpaced household formation in Houston. House price growth has also been concurrently strong in Houston and well above the median family income growth.

Strength in business service industries is the best news for office realtors in the metro area. While vacancy rates have gone up significantly over the past year and lease rates continue to fall,

Houston’s office real estate industry is doing better than both Dallas and Austin and is besting the national vacancy rate average.

The largest employers by industry in the Houston MSA are high-tech employment, commercial construction, and architectural, engineering, and related services. The table below reflects the composition of the area’s economy.

| <b>Table 27-Industry by Total Employment and Revenue Size</b> |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Industry</b>   | <b>% of Total Employment 2002</b> | <b>Average Annual Earnings 2001</b> |
| <b>Services</b>   | 37.3                              | \$129,443                           |
| <b>Manufacturing</b>  | 9.4                               | \$80,926                            |
| <b>Retail</b>   | 10.8                              | \$ 25,252                           |
| <b>Government</b>   | 13.3                              | \$ 39,284                           |
| <b>All Other</b>  | 29.2                              | NA                                  |

Source: Bureau of Labor Statistics, 2002; Bureau of Economic Analysis, 2001

## **Community Contacts**

Community contacts in the Harris County assessment area included one affordable housing agency and one small business and economic development agency (SBED). The affordable housing agency focuses on the economic growth and revitalization of underdeveloped areas and the creation of affordable housing for low-income individuals, the disabled and the homeless in Harris County. The contact identified a “tremendous” need for affordable housing in Harris County. Approximately 60 percent of the housing stock of Harris County is owner-occupied. The medium price for a three-bedroom house is \$154,000. According to the contact, the need is not to build affordable housing, but to provide lending programs that assist low- and moderate-income people qualify for home mortgage loans in the area. The affordable housing contact spoke favorably of several financial institutions serving the various communities within the bank’s assessment area.

The SBED contact identified a need for small business loans. Texas is a highly business oriented state with one third of its population being small business owners. Approximately 85 percent of the workforce is employed by small business enterprises. Banks are limited by state legislation in how aggressive they can be as far as unconventional loan products. Texas prohibits the use of home equity lines of credit for business purpose, which would provide a source of capital for very small businesses. One particular area that is underserved is small business loans to small businesses in the medical or transportation industries. In general, the contact stated that banks are very aggressive at finding out the community credit needs. They look for opportunities to participate. Some banks participate in panel discussions about small business issues and solutions for small business financing. Banks could do more by joining their efforts with the state to better help small businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE TEXAS STATE AA**

### **LENDING TEST**

#### **Lending Activities**

CB's lending levels reflect an overall good responsiveness to the Harris County AA credit needs. The overall geographic distribution of loans reflects good penetration throughout the assessment area. The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business customers of different sizes. The bank has made an adequate level of community development loans. Refer to tables in Appendix H and K for additional data used to evaluate the bank's lending performance in Texas.

#### **Geographic Distribution of Lending**

The geographic distribution reflects an overall good penetration throughout the assessment area. Analysis of the bank's performance under this criterion was based on a review of small business loans originated in the Harris County AA area during the period of review.

#### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the assessment area. For comparison, the aggregate lending data as a percentage of the total number of small business loans and the percentage of small businesses are shown. The bank's 2002 penetration in low-income census tracts (8.3 percent) exceeded both the aggregate lending data (5.0 percent) and percentage of small businesses (5.9 percent). Lending in moderate-income census tracts (16.7 percent) is less than the aggregate lending data (29.0 percent) and percentage of small businesses (25.1 percent).

In 2003, the bank's lending performance in low-income census tracts reflects an increase in penetration (15.4 percent), which exceeded the percentage of small businesses (5.8 percent). Lending in moderate-income census tracts reflects a significant increase in penetration (46.2 percent), which also exceeded the percentage of small businesses (27.9 percent).

#### **Lending to Business of Different Sizes**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among business customers of different sizes.

#### **Small Business Loans**

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. The analysis shows that the bank's lending activity for loans made to small businesses with Gross Annual Revenues (GARs) of \$1 million or less in 2002 (66.7

percent) significantly exceeded the aggregate market data (29.7 percent), and is higher than the percentage of small businesses (56.6 percent). These loans were further stratified by loan size. As a result, 41.7 percent by number of total small business loans were made to businesses in amounts of \$250,000 or less.

In 2003, a majority of small business loans were made to businesses with GARs of \$1 million or less (69.2 percent), which exceeded the percentage of small businesses (61.9 percent). However, the percentage, by number, of small business loans made to businesses in amounts of \$250,000 or less declined significantly to 15.4 percent.

### **Record of Serving the Credit Needs of the Highly Economically Disadvantaged**

The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas within the Harris County assessment area and very small businesses consistent with safe and sound banking practices. A majority of small business loans was made to businesses with GARs of \$1 million or less, which exceeded the aggregate lending data. In addition, the geographic distribution analysis of small business loans shows that the bank's performance in low-income areas exceeded the aggregate lending data.

### **Community Development Loans**

The bank has made an adequate level of community development loans in the State of Texas. In 2003, the bank extended three community development loans totaling approximately \$7 million. All of the loans were located in Harris County and were extended to small businesses. Please refer to the comments in the Community Development Lending section starting on page 16 of the report regarding discussion of the bank's performance in the combined assessment areas for details regarding the community development loans extended in Texas.

### **Innovative and/or Flexible Lending Practices**

Cathay Bank makes use of flexible lending practices in order to serve assessment area credit needs. Please refer the Flexible Lending Programs section of this public evaluation starting on page 18 for additional details regarding these programs. Although these programs are not considered innovative, they contain flexible lending terms to assist borrowers who would otherwise not qualify for traditional banking products.

### **INVESTMENT TEST**

Within the State of Texas, Cathay Bank has an adequate level of qualified community development investments and exhibits adequate responsiveness to credit and community economic development needs based on the opportunities for such investments. The bank rarely uses innovative and/or complex investments to support community development initiatives including affordable housing.

One qualified investment with community development as its primary purpose totaling \$4.9 million was identified. There were no qualified grants and donations made during the review period.

Cathay Bank is a partner in a nation-wide initiative that supported either the renovation or construction of affordable housings project including a project located in Harris County, Texas. During the review period, the bank invested \$4.9 million. The project in Harris County contains 81 affordable housing units that specifically target low- and moderate-income individuals or families.

## SERVICE TEST

Cathay Bank’s Texas State Service Test rating is Needs to Improve. Delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank has provided no qualified community development services within the state during the review period.

### Retail Banking Services

#### Accessibility of Delivery Systems

Cathay Bank’s delivery systems in the Harris County Assessment Area are reasonably accessible to essentially all portions of the institution’s assessment area. The bank operates one-branch offices in Harris County Texas that is in a moderate-income geography. The table below shows the distribution of this branch office with comparisons made to the percentages of all other financial institutions, families, small businesses, and census tracts in the assessment area.

**Table 28**

| Branch Distribution Analysis in the New York Assessment Area              |                              |          |        |        |       |         |
|---|------------------------------|----------|--------|--------|-------|---------|
| Office Type   | Income Level of Census Tract |          |        |        |       | Total   |
|   | Low                          | Moderate | Middle | Upper  | N/A   |         |
| <b>Branch Offices</b>   |                              |          |        |        |       |         |
| Number of Branches  | 0                            | 1        | 0      | 0      | 0     | 1       |
|   | 0                            | 100.0    | 0      | 0      | 0     | 100.0   |
| <b>Comparisons</b>  |                              |          |        |        |       |         |
| Percentage of Branches-All Financial Institutions (Excluding Cathay Bank) | 5.0                          | 24.1     | 25.5   | 44.9   | 0.5   | 100.0   |
| Census Tracts   | 62                           | 222      | 179    | 179    | 7     | 649     |
| Percentage of Areas   | 9.5                          | 34.2     | 27.6   | 27.6   | 1.1   | 100.0   |
| Percentage of Families  | 8.1                          | 26.9     | 32.6   | 32.4   | 0     | 100.0   |
| Dun & Bradstreet Businesses   | 9,138                        | 42,388   | 40,337 | 60,281 | 4,301 | 152,433 |
| Percentage of Businesses  | 6.0                          | 27.8     | 26.5   | 39.5   | 0.2   | 100.0   |

Source: Bank Records, 2000 Census Data, and 2003 Dun & Bradstreet Business Data

### Alternate Delivery Systems

Alternate delivery systems generally mirror those described under the bank-wide performance summary. The bank does not maintain an ATM facility at this branch location. In addition, on-line bill payment services are not available to accountholders in the State of Texas.

### Reasonableness of Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income areas and/or individuals. The branch in Harris County is full service and the hours generally reflect the needs of the local communities served. This office does not offer any extended weekend banking hours.

### Changes in Office Locations

This branch facility opened for business under the Cathay Bank name on December 10, 2000. This branch is in a moderate-income geography. To the extent possible, the change has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

### **Community Development Services**

Cathay Bank provides few, if any, community development services in the Harris County Assessment Area. The bank has not made any qualified community development services within this assessment area during the review period.

## APPENDIX A

### SCOPE OF EXAMINATION:

|   |
|---|
| <b>Cathay Bank</b>  |
| <b>SCOPE OF EXAMINATION: SCOPE OF EXAMINATION: Large Bank CRA examination procedures were performed for the bank's five assessment areas. Emphasis was given to the Los Angeles and San Francisco assessment areas due to the predominance of performance in these areas.</b> |
| <b>TIME PERIOD REVIEWED: Lending and Services all of 2002 and 2003. Investments were considered from January 22, 2001 to FEBRUARY 23, 2004.</b>   |
| <b>PRODUCTS REVIEWED: Small Business Loans, HMDA Loans, including home purchase, refinance, and multifamily, and Consumer Loans</b>   |

| <b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b> |                                |                           |
|---|--------------------------------|---------------------------|
| <b>AFFILIATE(S):</b>                            | <b>AFFILIATE RELATIONSHIP:</b> | <b>PRODUCTS REVIEWED:</b> |
| None  |                                |                           |
|   |                                |                           |
|   |                                |                           |
|   |                                |                           |

| <b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b> |                             |                          |                           |
|---|-----------------------------|--------------------------|---------------------------|
| <b>ASSESSMENT AREA:</b>                                 | <b>TYPE OF EXAMINATION:</b> | <b>BRANCHES VISITED:</b> | <b>OTHER INFORMATION:</b> |
| Los Angeles AA  | Full Scope                  | None                     | N/A                       |
| San Francisco AA  | Full Scope                  | None                     | N/A                       |
| Sacramento AA   | Limited Scope               | None                     | N/A                       |
| New York AA   | Full Scope                  | None                     | N/A                       |
| Harris County, TX AA                                    | Full Scope                  | None                     | N/A                       |

## APPENDIX B

| <b>SUMMARY OF STATE AND MULTISTATE MSA RATINGS</b> |                                     |  |                                     |                                      |
|--|-------------------------------------|--|-------------------------------------|--------------------------------------|
| <b>STATE OR<br/>MULTISTATE<br/>MSA NAME:</b>       | <b>LENDING<br/>TEST<br/>RATING:</b> | <b>INVESTMENT<br/>TEST<br/>RATING:</b> | <b>SERVICE<br/>TEST<br/>RATING:</b> | <b>OVERALL<br/>STATE<br/>RATING:</b> |
| California   | High Satisfactory                   | Outstanding                            | Needs to Improve                    | Satisfactory                         |
| New York   | High Satisfactory                   | Low Satisfactory                       | Needs to Improve                    | Satisfactory                         |
| Texas  | High Satisfactory                   | Low Satisfactory                       | Needs to Improve                    | Satisfactory                         |
|  |                                     |  |                                     |                                      |
|  |                                     |  |                                     |                                      |
|  |                                     |  |                                     |                                      |
|  |                                     |  |                                     |                                      |
|  |                                     |  |                                     |                                      |

## APPENDIX C - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or railroad tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Block Numbering Areas (BNAs):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Combined Statistical Area (CSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in-group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates that update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX D - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. In addition, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

## **APPENDIX E - STANDARD PE LANGUAGE**

### **LENDING TEST**

#### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

#### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

#### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

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**Table 1. Lending Volume**

| LENDING VOLUME             |                                     | Geography: CALIFORNIA |            |                           |            | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |            |                             |            |                      |           |                                      |
|----------------------------|-------------------------------------|-----------------------|------------|---------------------------|------------|---|------------|-----------------------------|------------|----------------------|-----------|--------------------------------------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage         |            | Small Loans to Businesses |            | Small Loans to Farms                                    |            | Community Development Loans |            | Total Reported Loans |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                     | \$ (000's) | #                         | \$ (000's) | #   | \$ (000's) | #                           | \$ (000's) | #                    | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                       |            |                           |            |   |            |                             |            |                      |           |                                      |
| Los Angeles AA             | 78.65                               | 244                   | 76,154     | 495                       | 141,250    | 0   | 0          | 31                          | 94,800     | 770                  | 312,204   | 88.10                                |
| San Francisco AA           | 20.43                               | 87                    | 32,601     | 107                       | 38,309     | 0   | 0          | 6                           | 22,400     | 203                  | 101,031   | 11.84                                |
| <b>Limited Review:</b>     |                                     |                       |            |                           |            |   |            |                             |            |                      |           |                                      |
| Sacramento AA              | 0.92                                | 5                     | 868        | 2                         | 677        | 0   | 0          | 2                           | 3,700      | 9                    | 5,219     | 0.06                                 |

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\*\*Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                     | Geography: CALIFORNIA |            |                                      |            | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |            |                 |            |               |            |                          |           |                                      |
|----------------------------|-------------------------------------|-----------------------|------------|--------------------------------------|------------|---|------------|-----------------|------------|---------------|------------|--------------------------|-----------|--------------------------------------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Total Optional Loans  |            | Small Business Real Estate Secured** |            | Home Equity**   |            | Motor Vehicle** |            | Credit Card** |            | Other Secured Consumer** |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                     | \$ (000's) | #                                    | \$ (000's) | #   | \$ (000's) | #               | \$ (000's) | #             | \$ (000's) | #                        | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                       |            |                                      |            |   |            |                 |            |               |            |                          |           |                                      |
| Los Angeles AA             | 80.35                               | 544                   | 60,249     | 53                                   | 17,127     | 277   | 31,503     | 79              | 974        | 0             | 0          | 130                      | 10,338    | 88.10                                |
| San Francisco AA           | 19.50                               | 132                   | 22,082     | 12                                   | 4,500      | 84  | 13,920     | 16              | 321        | 0             | 0          | 18                       | 3,318     | 11.84                                |
| <b>Limited Review:</b>     |                                     |                       |            |                                      |            |   |            |                 |            |               |            |                          |           |                                      |
| Sacramento AA              | 0.15                                | 1                     | 61         | 0                                    | 0          | 1   | 61         | 0               | 0          | 0             | 0          | 0                        | 0         | 0.06                                 |

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                 | Geography: CALIFORNIA |                       | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |
|----------------------------|---------------------------------|-----------------------|-----------------------|---|--|
| MA/Assessment Area (2002): | Other Unsecured Consumer Loans* |                       | Other Optional Loans* |   |  |
|                            | #                               | \$ (000's)            | #                     | \$ (000's)  |  |
| <b>Full Review:</b>        |                                 |                       |                       |   |  |
| Los Angeles AA             | 5                               | 307                   | 0                     | 0   |  |
| San Francisco AA           | 2                               | 23                    | 0                     | 0   |  |
| <b>Limited Review:</b>     |                                 |                       |                       |   |  |
| Sacramento AA              | 0                               | 0                     | 0                     | 0   |  |

\* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

**Table2a. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       | Geography: CALIFORNIA |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |
|--|---------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|-----------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                    | Total Home Purchase Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |                       |  |  |  |   |  |  |  |
|  | #                         | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp                   |  |  |  |   |  |  |  |
| <b>Full Review:</b>                    |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |                       |  |  |  |   |  |  |  |
| Los Angeles AA                         | 48                        | 70.59        | 1.89                   | 4.17         | 15.03                       | 14.58        | 39.14                     | 20.83        | 43.94                    | 60.42        | 2.47  | 13.40 | 38.57 | 45.51                 |  |  |  |   |  |  |  |
| San Francisco AA                       | 17                        | 25.00        | 2.50                   | 5.88         | 13.53                       | 11.76        | 50.48                     | 58.82        | 33.48                    | 23.53        | 3.28  | 15.35 | 51.99 | 29.30                 |  |  |  |   |  |  |  |
| <b>Limited Review:</b>                 |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |                       |  |  |  |   |  |  |  |
| Sacramento AA                          | 3                         | 4.41         | 3.28                   | 0.00         | 14.03                       | 0.00         | 51.45                     | 0.00         | 31.24                    | 100.00       | 2.97  | 12.34 | 48.64 | 36.05                 |  |  |  |   |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

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**Table 3a. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT               |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
|---|------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|-------|
| Geography: CALIFORNIA                                   |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| MA/Assessment Area:                                     | Total Home Improvement Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |       |
|   | #                            | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                                     |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Los Angeles AA  | 16                           | 84.21        | 1.89                   | 0.00         | 15.03                       | 6.25         | 39.14                     | 56.25        | 43.94                    | 37.50        | 1.77  | 11.37 | 39.94 | 46.88 |
| San Francisco AA  | 3                            | 15.79        | 2.50                   | 0.00         | 13.53                       | 0.00         | 50.48                     | 33.33        | 33.48                    | 66.67        | 3.59  | 16.19 | 55.67 | 24.53 |
| <b>Limited Review:</b>                                  |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Sacramento AA   | 0                            | 0.00         | 3.28                   | 0.00         | 14.03                       | 0.00         | 51.45                     | 0.00         | 31.24                    | 0.00         | 2.02  | 9.38  | 47.72 | 40.89 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Cens us information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: CALIFORNIA |                        |              |                             |              | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |              |                          |              |   |       |       |       |
|--|-------------------------------------|-----------------------|------------------------|--------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|---|-------|-------|-------|
| MA/Assessment Area:                              | Total Home Mortgage Refinance Loans |                       | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies                               |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |       |
|  | #                                   | % of Total**          | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***                                    | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                              |                                     |                       |                        |              |                             |              |   |              |                          |              |   |       |       |       |
| Los Angeles AA                                   | 143                                 | 69.08                 | 1.89                   | 0.70         | 15.03                       | 16.08        | 39.14   | 27.97        | 43.94                    | 55.24        | 1.26  | 10.15 | 35.61 | 52.95 |
| San Francisco AA                                 | 62                                  | 29.95                 | 2.50                   | 3.23         | 13.53                       | 20.97        | 50.48   | 37.10        | 33.48                    | 38.71        | 2.05  | 11.43 | 47.75 | 38.60 |
| <b>Limited Review:</b>                           |                                     |                       |                        |              |                             |              |   |              |                          |              |   |       |       |       |
| Sacramento AA                                    | 2                                   | 0.97                  | 3.28                   | 0.00         | 14.03                       | 50.00        | 51.45   | 0.00         | 31.24                    | 50.00        | 2.10  | 9.06  | 47.57 | 41.27 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5a. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY |                         |              |                        |              |                             |              |                           |              |                          |              |   |              |       | Geography: CALIFORNIA |     |     |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |
|--------------------------------------|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|--------------|-------|-----------------------|-----|-----|--|---|--|--|--|
| MA/Assessment Area:                  | Total Multifamily Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |              |       |                       |     |     |  |   |  |  |  |
|                                      | #                       | % of Total** | % of MF Units***       | % BANK Loans | % MF Units***               | % BANK Loans | % MF Units***             | % BANK Loans | % MF Units***            | % BANK Loans | % MF Units***                               | % BANK Loans | Low   | Mod                   | Mid | Upp |  |   |  |  |  |
| <b>Full Review:</b>                  |                         |              |                        |              |                             |              |                           |              |                          |              |   |              |       |                       |     |     |  |   |  |  |  |
| San Francisco AA                     | 5                       | 11.90        | 13.96                  | 20.00        | 29.03                       | 20.00        | 44.01                     | 40.00        | 12.97                    | 20.00        | 17.83                                       | 37.31        | 34.90 | 9.96                  |     |     |  |   |  |  |  |
| Los Angeles AA                       | 37                      | 88.10        | 11.85                  | 5.41         | 28.21                       | 59.46        | 38.60                     | 35.14        | 21.32                    | 0.00         | 12.56                                       | 37.97        | 35.56 | 13.91                 |     |     |  |   |  |  |  |
| <b>Limited Review:</b>               |                         |              |                        |              |                             |              |                           |              |                          |              |   |              |       |                       |     |     |  |   |  |  |  |
| Sacramento AA                        | 0                       | 0.00         | 10.25                  | 0.00         | 28.75                       | 0.00         | 48.65                     | 0.00         | 12.35                    | 0.00         | 16.83                                       | 36.83        | 34.60 | 11.75                 |     |     |  |   |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       | Geography: CALIFORNIA |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|-------|-------|-----------------------|--|---|--|--|--|
| MA/Assessment Area:                                | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate Lending (%) by Tract Income* |       |       |                       |  |   |  |  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***        | % BANK Loans | % of Businesses***       | % BANK Loans | Low                                    | Mod   | Mid   | Upp                   |  |   |  |  |  |
| <b>Full Review:</b>                                |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       |                       |  |   |  |  |  |
| Los Angeles AA                                     | 495                        | 81.95        | 6.59                   | 10.93        | 16.71                       | 23.89        | 36.44                     | 42.51        | 38.14                    | 22.67        | 6.31                                   | 18.57 | 35.79 | 39.33                 |  |   |  |  |  |
| San Francisco AA                                   | 107                        | 17.72        | 11.72                  | 19.63        | 18.58                       | 16.82        | 42.91                     | 46.73        | 26.52                    | 16.82        | 9.40                                   | 19.45 | 45.26 | 25.89                 |  |   |  |  |  |
| <b>Limited Review:</b>                             |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       |                       |  |   |  |  |  |
| Sacramento AA                                      | 2                          | 0.33         | 11.06                  | 0.00         | 32.04                       | 0.00         | 33.02                     | 100.00       | 23.89                    | 0.00         | 5.40                                   | 21.18 | 43.59 | 29.83                 |  |   |  |  |  |

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 8a. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE                    |                           |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |                  |       |       |     |
|---|---------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|------------------|-------|-------|-----|
| Geography: CALIFORNIA                                   |                           |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |                  |       |       |     |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                           |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |                  |       |       |     |
| MA/Assessment Area:                                     | Total Home Purchase Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |                  |       |       |     |
|   | #                         | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | % Families***           | % BANK Loans**** | Low   | Mod   | Mid |
| <b>Full Review:</b>                                     |                           |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |                  |       |       |     |
| Los Angeles AA  | 48                        | 70.59        | 21.89                | 2.22             | 17.35                     | 6.67             | 20.81                   | 8.89             | 39.95                  | 82.22            | 1.68                    | 10.67            | 24.97 | 62.67 |     |
| San Francisco AA  | 17                        | 25.00        | 20.01                | 5.88             | 18.11                     | 11.76            | 23.52                   | 23.53            | 38.37                  | 58.82            | 1.54                    | 9.80             | 28.26 | 60.40 |     |
| <b>Limited Review:</b>                                  |                           |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |                  |       |       |     |
| Sacramento AA   | 3                         | 4.41         | 21.25                | 0.00             | 18.33                     | 0.00             | 22.88                   | 33.33            | 37.54                  | 66.67            | 2.85                    | 15.77            | 31.04 | 50.35 |     |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 4.41% of loans originated by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                              |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       | Geography: CALIFORNIA |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |
|---|------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|-------|-------|-----------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                     | Total Home Improvement Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |                       |  |  |  |   |  |  |  |
|   | #                            | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp                   |  |  |  |   |  |  |  |
| <b>Full Review:</b>                     |                              |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       |                       |  |  |  |   |  |  |  |
| Los Angeles AA                          | 16                           | 84.21        | 21.89                | 6.25             | 17.35                     | 18.75            | 20.81                   | 25.00            | 39.95                  | 50.00            | 5.20                    | 12.72 | 23.56 | 58.52                 |  |  |  |   |  |  |  |
| San Francisco AA                        | 3                            | 15.79        | 20.01                | 0.00             | 18.11                     | 0.00             | 23.52                   | 33.33            | 38.37                  | 66.67            | 8.64                    | 18.01 | 30.03 | 43.32                 |  |  |  |   |  |  |  |
| <b>Limited Review:</b>                  |                              |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       |                       |  |  |  |   |  |  |  |
| Sacramento AA                           | 0                            | 0.00         | 21.25                | 0.00             | 18.33                     | 0.00             | 22.88                   | 0.00             | 37.54                  | 0.00             | 3.51                    | 15.07 | 28.94 | 52.48                 |  |  |  |   |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       | Geography: CALIFORNIA |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |
|--|-------------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|-------|-------|-----------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                            | Total Home Mortgage Refinance Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |                       |  |  |  |   |  |  |  |
|  | #                                   | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp                   |  |  |  |   |  |  |  |
| <b>Full Review:</b>                            |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       |                       |  |  |  |   |  |  |  |
| Los Angeles AA                                 | 143                                 | 69.08        | 21.89                | 4.26             | 17.35                     | 11.35            | 20.81                   | 21.99            | 39.95                  | 62.41            | 2.73                    | 11.87 | 23.20 | 62.20                 |  |  |  |   |  |  |  |
| San Francisco AA                               | 62                                  | 29.95        | 20.01                | 1.61             | 18.11                     | 20.97            | 23.52                   | 14.52            | 38.37                  | 62.90            | 3.75                    | 13.47 | 26.33 | 56.45                 |  |  |  |   |  |  |  |
| <b>Limited Review:</b>                         |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       |                       |  |  |  |   |  |  |  |
| Sacramento AA                                  | 2                                   | 0.97         | 21.25                | 0.00             | 18.33                     | 0.00             | 22.88                   | 50.00            | 37.54                  | 50.00            | 3.96                    | 16.17 | 28.76 | 51.11                 |  |  |  |   |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.97% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |                                 |              |   |                  |   |                         |                           |                         |                         |
|--|---------------------------------|--------------|---|------------------|---|-------------------------|---------------------------|-------------------------|-------------------------|
| Geography: CALIFORNIA                            |                                 |              |   |                  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                         |                           |                         |                         |
| MA/Assessment Area:                              | Total Small Loans to Businesses |              | Businesses With Revenues of \$1 million or less |                  | Loans by Original Amount Regardless of Business Size    |                         |                           | Aggregate Lending Data* |                         |
|  | #                               | % of Total** | % of Businesses***                              | % BANK Loans**** | \$100,000 or less                                       | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All                     | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                              |                                 |              |   |                  |   |                         |                           |                         |                         |
| Los Angeles AA                                   | 495                             | 81.95        | 61.99   | 32.53            | 37.37   | 24.65                   | 37.98                     | 408,238                 | 113,038                 |
| San Francisco AA                                 | 107                             | 17.72        | 57.31   | 44.86            | 37.38   | 13.08                   | 49.53                     | 177,822                 | 46,894                  |
| <b>Limited Review:</b>                           |                                 |              |   |                  |   |                         |                           |                         |                         |
| Sacramento AA                                    | 2                               | 0.33         | 62.24   | 100.00           | 0.00  | 50.00                   | 50.00                     | 30,922                  | 7,787                   |

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 24.67% of small loans to businesses originated by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

| Geographic and Borrower Distribution: CONSUMER LOANS    |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
|---|-------------------------|-------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|-----------------|-----------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| Geography: CALIFORNIA                                   |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| MA/Assessment Area:                                     | Geographic Distribution |             |                        |                 |                             |                 |                           |                 |                          |                 | Borrower Distribution |                 |                           |                 |                         |                 |                        |                 |
|   | Total Consumer Loans    |             | Low-Income Geographies |                 | Moderate-Income Geographies |                 | Middle-Income Geographies |                 | Upper-Income Geographies |                 | Low-Income Borrowers  |                 | Moderate-Income Borrowers |                 | Middle-Income Borrowers |                 | Upper-Income Borrowers |                 |
|   | #                       | % of Total* | % of Hhlds**           | % of BANK Loans | % of Hhlds**                | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**             | % of BANK Loans | % of Hhlds*           | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**            | % of BANK Loans | % of Hhlds**           | % of BANK Loans |
| <b>Full Review:</b>                                     |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Los Angeles AA  | 491                     | 80.23       | 6.33                   | 1.22            | 23.06                       | 19.76           | 38.52                     | 32.59           | 32.08                    | 46.44           | 23.42                 | 14.36           | 16.50                     | 20.00           | 19.68                   | 24.87           | 40.40                  | 40.77           |
| San Francisco AA  | 120                     | 19.61       | 6.82                   | 4.17            | 20.64                       | 15.00           | 48.19                     | 49.17           | 24.35                    | 31.67           | 22.50                 | 16.36           | 17.36                     | 20.91           | 20.60                   | 19.09           | 39.54                  | 43.64           |
| <b>Limited Review:</b>                                  |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Sacramento AA   | 1                       | 0.16        | 6.31                   | 0.00            | 19.94                       | 0.00            | 49.79                     | 0.00            | 23.95                    | 100.00          | 23.10                 | 0.00            | 17.07                     | 0.00            | 20.19                   | 0.00            | 39.63                  | 100.00          |

\* Consumer loans originated in the MA/AA as a percentage of all consumer loans originated in the rated area.

\*\* Percentage of Households is based on the 1990 Census Information.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS  |                           |           |                            |           |                   |  |            |                        |           |
|------------------------|---------------------------|-----------|----------------------------|-----------|-------------------|--|------------|------------------------|-----------|
|                        |                           |           | Geography: CALIFORNIA      |           |                   | Evaluation Period: JANUARY 22, 2001 TO DECEMBER 31, 2002 |            |                        |           |
| MA/Assessment Area:    | Prior Period Investments* |           | Current Period Investments |           | Total Investments |  |            | Unfunded Commitments** |           |
|                        | #                         | \$(000's) | #                          | \$(000's) | #                 | \$(000's)  | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>    |                           |           |                            |           |                   |  |            |                        |           |
| Los Angeles AA         | 1                         | 4,485     | 12                         | 5,324     | 13                | 9,809  | 87.68      | 0                      | 0         |
| San Francisco AA       | 2                         | 1,273     | 2                          | 105       | 4                 | 1,378  | 12.32      | 0                      | 0         |
| <b>Limited Review:</b> |                           |           |                            |           |                   |  |            |                        |           |
| Sacramento AA          | 0                         | 0         | 0                          | 0         | 0                 | 0  | 0.00       | 0                      | 0         |
| Statewide Areas        | 2                         | 11,390    | 2                          | 1,041     | 4                 | 12,431   | NA         | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |       |       |       |       |
|---|--------------------------------|--------------------|--------------------------------|---|--------|-------|-------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|-------|-------|-------|-------|
| Geography: CALIFORNIA   |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |       |       |       |       |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002             |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |       |       |       |       |
| MA/Assessment Area:   | Deposits                       | Branches           |                                |   |        |       |       | Branch Openings/Closings |                      |   |     |     |     | Population                            |       |       |       |       |
|   | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |       |       | # of Branch Openings     | # of Branch Closings | Net change in Location of Branches (+ or -) |     |     |     | % of Population within Each Geography |       |       |       |       |
|   |                                |                    |                                | Low   | Mod    | Mid   | Upp   |                          |                      | Low   | Mod | Mid | Upp | Low                                   | Mod   | Mid   | Upp   |       |
| <b>Full Review:</b>   |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |       |       |       |       |
| Los Angeles AA  | 88.10                          | 12                 | 63                             | 8.33  | 16.67  | 41.67 | 33.33 | 0                        | 0                    | 0   | 0   | 0   | 0   | 0                                     | 7.48  | 26.29 | 37.04 | 28.94 |
| San Francisco AA  | 11.84                          | 6                  | 32                             | 0.00  | 33.33  | 50.00 | 16.67 | 1                        | 0                    | 0   | 0   | 1   | 0   | 6.90                                  | 21.14 | 47.38 | 24.34 |       |
| <b>Limited Review:</b>  |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |       |       |       |       |
| Sacramento AA   | 0.06                           | 1                  | 5                              | 0.00  | 100.00 | 0.00  | 0.00  | 1                        | 0                    | 0   | 1   | 0   | 0   | 6.61                                  | 19.22 | 49.95 | 24.22 |       |

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**San Francisco AA**

| Demographic Information for Full Scope Area: San Francisco AA              |           |            |                                    |               |              |            |
|--|-----------|------------|------------------------------------|---------------|--------------|------------|
| Demographic Characteristics  | #         | Low % of # | Moderate % of #                    | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs)   | 1,177     | 7.39       | 18.35                              | 40.02         | 23.53        | 10.71      |
| Population by Geography  | 4,954,073 | 6.90       | 21.14                              | 47.38         | 24.34        | 0.24       |
| Owner-Occupied Housing by Geography  | 1,016,940 | 2.50       | 13.53                              | 50.48         | 33.48        | 0.00       |
| Business by Geography  | 327,940   | 11.72      | 18.58                              | 42.91         | 26.52        | 0.29       |
| Farms by Geography   | 4,068     | 6.19       | 17.08                              | 46.09         | 30.51        | 0.12       |
| Family Distribution by Income Level  | 1,198,867 | 20.01      | 18.11                              | 23.52         | 38.37        | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 456,957   | 11.83      | 30.09                              | 45.98         | 12.10        | 0.00       |
| Median Family Income   |           | 50,027     | Median Housing Value               |               | 273,715      |            |
| HUD Adjusted Median Family Income for 2002                                 |           | 84,588     | Unemployment Rate (1990 US Census) |               | 2.9%         |            |
| Households Below Poverty Level   |           | 7.61%      |                                    |               |              |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

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**Los Angeles AA**

| Demographic Information for Full Scope Area: Los Angeles AA                |            |               |                            |                  |                 |               |
|--|------------|---------------|----------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #          | Low<br>% of # | Moderate<br>% of #         | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 2,250      | 7.56          | 23.60                      | 36.13            | 31.47           | 1.24          |
| Population by Geography  | 12,374,264 | 7.48          | 26.29                      | 37.04            | 28.94           | 0.24          |
| Owner-Occupied Housing by Geography  | 2,139,127  | 1.89          | 15.03                      | 39.14            | 43.94           | 0.00          |
| Business by Geography  | 747,861    | 6.59          | 16.71                      | 36.44            | 38.14           | 2.12          |
| Farms by Geography   | 7,002      | 3.31          | 13.47                      | 39.95            | 42.06           | 1.21          |
| Family Distribution by Income Level  | 2,894,286  | 21.89         | 17.35                      | 20.81            | 39.95           | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 1,135,674  | 12.42         | 36.79                      | 35.98            | 14.81           | 0.00          |
| Median Family Income   |            | 41,528        | Median Housing Value       |                  | 236,665         |               |
| HUD Adjusted Median Family Income for 2002                                 |            | 59,132        | Unemployment Rate (1990 US |                  | 3.56%           |               |
| Households Below Poverty Level   |            | 10.73%        | Census)                    |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

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**Sacramento AA**

| Demographic Information for Limited Scope Area: Sacramento AA              |           |               |                            |                  |                 |               |
|--|-----------|---------------|----------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #         | Low<br>% of # | Moderate<br>% of #         | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 207       | 8.21          | 23.19                      | 44.44            | 24.15           | 0.00          |
| Population by Geography  | 1,041,219 | 6.61          | 19.22                      | 49.95            | 24.22           | 0.00          |
| Owner-Occupied Housing by Geography  | 223,351   | 3.28          | 14.03                      | 51.45            | 31.24           | 0.00          |
| Business by Geography  | 46,560    | 11.06         | 32.04                      | 33.02            | 23.89           | 0.00          |
| Farms by Geography   | 825       | 7.88          | 19.76                      | 51.76            | 20.61           | 0.00          |
| Family Distribution by Income Level  | 265,298   | 21.25         | 18.33                      | 22.88            | 37.54           | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 104,998   | 10.52         | 27.77                      | 48.40            | 13.31           | 0.00          |
| Median Family Income   |           | 38,850        | Median Housing Value       |                  | 136,097         |               |
| HUD Adjusted Median Family Income for 2002                                 |           | 57,300        | Unemployment Rate (1990 US |                  | 3.91%           |               |
| Households Below Poverty Level   |           | 9.62%         | Census)                    |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

APPENDIX G

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**Table 1. Lending Volume**

| LENDING VOLUME             |                                     | Geography: NEW YORK STATE |            |                           |            |                      |            | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |            |                      |           |                                      |
|----------------------------|-------------------------------------|---------------------------|------------|---------------------------|------------|----------------------|------------|---|------------|----------------------|-----------|--------------------------------------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage             |            | Small Loans to Businesses |            | Small Loans to Farms |            | Community Development Loans                             |            | Total Reported Loans |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                         | \$ (000's) | #                         | \$ (000's) | #                    | \$ (000's) | #   | \$ (000's) | #                    | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                           |            |                           |            |                      |            |   |            |                      |           |                                      |
| New York AA                | 100.00                              | 16                        | 8,700      | 23                        | 8,453      | 0                    | 0          | 0   | 0          | 39                   | 17,153    | 100.00                               |

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                     | Geography: NEW YORK STATE |            |                                      |            |               |            | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |            |               |            |                          |           |                                      |
|----------------------------|-------------------------------------|---------------------------|------------|--------------------------------------|------------|---------------|------------|---|------------|---------------|------------|--------------------------|-----------|--------------------------------------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Total Optional Loans      |            | Small Business Real Estate Secured** |            | Home Equity** |            | Motor Vehicle**   |            | Credit Card** |            | Other Secured Consumer** |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                         | \$ (000's) | #                                    | \$ (000's) | #             | \$ (000's) | #   | \$ (000's) | #             | \$ (000's) | #                        | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                           |            |                                      |            |               |            |   |            |               |            |                          |           |                                      |
| New York AA                | 100.00                              | 4                         | 200        | 2                                    | 150        | 0             | 0          | 0   | 0          | 0             | 0          | 2                        | 50        | 100.00                               |

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                 | Geography: NEW YORK STATE |                       | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |   |
|----------------------------|---------------------------------|---------------------------|-----------------------|---|---|
| MA/Assessment Area (2002): | Other Unsecured Consumer Loans* |                           | Other Optional Loans* |   |   |
|                            | #                               | \$ (000's)                | #                     | \$ (000's)  |   |
| <b>Full Review:</b>        |                                 |                           |                       |   |   |
| New York AA                | 0                               | 0                         | 0                     | 0   | 0 |

\* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

**Table2a. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       | Geography: NEW YORK STATE |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |  |  |  |  |  |  |
|--|---------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|---------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                    | Total Home Purchase Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                         | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp                       |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                    |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
| New York AA                            | 4                         | 100.00       | 2.20                   | 0.00         | 11.02                       | 25.00        | 38.59                     | 25.00        | 48.19                    | 50.00        | 5.02  | 11.67 | 35.49 | 47.61                     |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3a. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT               |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
|---|------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|-------|
| Geography: NEW YORK STATE                               |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| MA/Assessment Area:                                     | Total Home Improvement Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |       |
|   | #                            | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                                     |                              |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| New York AA   | 0                            | 0.00         | 2.20                   | 0.00         | 11.02                       | 0.00         | 38.59                     | 0.00         | 48.19                    | 0.00         | 4.22  | 15.84 | 42.94 | 36.84 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: NEW YORK STATE |                        |              |                             | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                           |              |                          | Aggregate HMDA Lending (%) by Tract Income* |      |       |       |       |
|--|-------------------------------------|---------------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|---|------|-------|-------|-------|
| MA/Assessment Area:                              | Total Home Mortgage Refinance Loans |                           | Low-Income Geographies |              | Moderate-Income Geographies |   | Middle-Income Geographies |              | Upper-Income Geographies |   |      |       |       |       |
|  | #                                   | % of Total**              | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans  | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans                                | Low  | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                              |                                     |                           |                        |              |                             |   |                           |              |                          |   |      |       |       |       |
| New York AA                                      | 4                                   | 100.00                    | 2.20                   | 0.00         | 11.02                       | 0.00  | 38.59                     | 75.00        | 48.19                    | 25.00                                       | 2.79 | 11.20 | 35.87 | 49.97 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5a. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY                    |                         |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
|---|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|-------|
| Geography: NEW YORK STATE                               |                         |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                         |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| MA/Assessment Area:                                     | Total Multifamily Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |       |
|   | #                       | % of Total** | % of MF Units***       | % BANK Loans | % MF Units***               | % BANK Loans | % MF Units***             | % BANK Loans | % MF Units***            | % BANK Loans | Low   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                                     |                         |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| New York AA   | 8                       | 100.00       | 13.42                  | 12.50        | 23.57                       | 75.00        | 26.68                     | 0.00         | 36.29                    | 12.50        | 13.55                                       | 31.87 | 30.35 | 24.06 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Multifamily loans originated in the MA/AA as a percentage of all multifamily loans originated in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       | Geography: NEW YORK STATE |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |  |  |  |  |  |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|-------|-------|---------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                                | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate Lending (%) by Tract Income* |       |       |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***        | % BANK Loans | % of Businesses***       | % BANK Loans | Low                                    | Mod   | Mid   | Upp                       |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                                |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
| New York AA  | 23                         | 100.00       | 5.92                   | 10.53        | 19.52                       | 42.11        | 26.17                     | 42.11        | 45.73                    | 5.26         | 5.22                                   | 18.23 | 29.74 | 46.81                     |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 8a. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                           | Geography: NEW YORK STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                  |                        |                  |                         |       |       |       |
|--------------------------------------|---------------------------|---------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|-------|-------|-------|
| MA/Assessment Area:                  | Total Home Purchase Loans |                           | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |       |
|                                      | #                         | % of Total**              | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                  |                           |                           |                      |                  |                           |                  |   |                  |                        |                  |                         |       |       |       |
| New York AA                          | 4                         | 100.00                    | 26.44                | 0.00             | 16.34                     | 0.00             | 18.88   | 0.00             | 38.35                  | 100.00           | 2.19                    | 11.91 | 24.49 | 61.42 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 50.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                              | Geography: NEW YORK STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                  |                        |                  |                         |       |       |       |
|---|------------------------------|---------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|-------|-------|-------|
| MA/Assessment Area:                     | Total Home Improvement Loans |                           | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |       |
|   | #                            | % of Total**              | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                     |                              |                           |                      |                  |                           |                  |   |                  |                        |                  |                         |       |       |       |
| New York AA                             | 0                            | 0.00                      | 26.44                | 0.00             | 16.34                     | 0.00             | 18.88   | 0.00             | 38.35                  | 0.00             | 9.23                    | 20.11 | 29.18 | 41.47 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for \*\*\*\*\*% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       | Geography: NEW YORK STATE |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |  |  |  |  |  |  |
|--|-------------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|-------|-------|---------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                            | Total Home Mortgage Refinance Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                                   | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp                       |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                            |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
| New York AA                                    | 4                                   | 100.00       | 26.44                | 0.00             | 16.34                     | 0.00             | 18.88                   | 100.00           | 38.35                  | 0.00             | 3.20                    | 13.05 | 26.48 | 57.27                     |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |                                 | Geography: NEW YORK STATE |   |                  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                         |                           |                         |                         |
|--|---------------------------------|---------------------------|---|------------------|---|-------------------------|---------------------------|-------------------------|-------------------------|
| MA/Assessment Area:                              | Total Small Loans to Businesses |                           | Businesses With Revenues of \$1 million or less |                  | Loans by Original Amount Regardless of Business Size    |                         |                           | Aggregate Lending Data* |                         |
|  | #                               | % of Total**              | % of Businesses***                              | % BANK Loans**** | \$100,000 or less                                       | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All                     | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                              |                                 |                           |   |                  |   |                         |                           |                         |                         |
| New York AA                                      | 23                              | 100.00                    | 61.86   | 60.87            | 21.74   | 39.13                   | 39.13                     | 150,384                 | 50,268                  |

\* Based on 2002 Peer Small Business Data: US and FR.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

| Geographic and Borrower Distribution: CONSUMER LOANS |                         | Geography: NEW YORK STATE |                        |                 |                             |                 |                           |                 |                          | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                       |                 |                           |                 |                         |                 |                        |                 |
|--|-------------------------|---------------------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|---|-----------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| MA/Assessment Area:                                  | Geographic Distribution |                           |                        |                 |                             |                 |                           |                 |                          |   | Borrower Distribution |                 |                           |                 |                         |                 |                        |                 |
|  | Total Consumer Loans    |                           | Low-Income Geographies |                 | Moderate-Income Geographies |                 | Middle-Income Geographies |                 | Upper-Income Geographies |   | Low-Income Borrowers  |                 | Moderate-Income Borrowers |                 | Middle-Income Borrowers |                 | Upper-Income Borrowers |                 |
|  | #                       | % of Total*               | % of Hhlds**           | % of BANK Loans | % of Hhlds**                | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**             | % of BANK Loans   | % of Hhlds*           | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**            | % of BANK Loans | % of Hhlds**           | % of BANK Loans |
| <b>Full Review:</b>                                  |                         |                           |                        |                 |                             |                 |                           |                 |                          |   |                       |                 |                           |                 |                         |                 |                        |                 |
| New York AA  | 2                       | 100.00                    | 10.38                  | 0.00            | 21.49                       | 50.00           | 34.13                     | 50.00           | 33.95                    | 0.00  | 27.89                 | 50.00           | 14.38                     | 50.00           | 17.68                   | 0.00            | 40.05                  | 0.00            |

\* Consumer loans originated in the MA/AA as a percentage of all consumer loans originated in the rated area.

\*\* Percentage of Households is based on the 1990 Census Information.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS |                           |           |                            |           |                   |  |            |                        |           |
|-----------------------|---------------------------|-----------|----------------------------|-----------|-------------------|--|------------|------------------------|-----------|
|                       |                           |           | Geography: NEW YORK STATE  |           |                   | Evaluation Period: JANUARY 22, 2001 TO DECEMBER 31, 2002 |            |                        |           |
| MA/Assessment Area:   | Prior Period Investments* |           | Current Period Investments |           | Total Investments |  |            | Unfunded Commitments** |           |
|                       | #                         | \$(000's) | #                          | \$(000's) | #                 | \$(000's)  | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>   |                           |           |                            |           |                   |  |            |                        |           |
| New York AA           | 1                         | 638       | 2                          | 2,001     | 2                 | 2,001  | 100.00     | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                |                    |                                | Geography: NEW YORK STATE                         |        |      |      | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                      |   |     |            |     |                                       |       |       |       |
|---|--------------------------------|--------------------|--------------------------------|---|--------|------|------|---|----------------------|---|-----|------------|-----|---------------------------------------|-------|-------|-------|
| MA/Assessment Area:   | Deposits                       | Branches           |                                |   |        |      |      | Branch Openings/Closings                                |                      |   |     | Population |     |                                       |       |       |       |
|   | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |      |      | # of Branch Openings                                    | # of Branch Closings | Net change in Location of Branches (+ or -) |     |            |     | % of Population within Each Geography |       |       |       |
|   |                                |                    |                                | Low   | Mod    | Mid  | Upp  |   |                      | Low   | Mod | Mid        | Upp | Low                                   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>   |                                |                    |                                |   |        |      |      |   |                      |   |     |            |     |                                       |       |       |       |
| New York AA   | 100.00                         | 3                  | 100                            | 0.00  | 100.00 | 0.00 | 0.00 | 0   | 0                    | 0   | 0   | 0          | 0   | 12.66                                 | 23.62 | 34.91 | 28.58 |

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New York AA

| Demographic Information for Full Scope Area: New York AA   |           |                            |   |               |                  |            |
|--|-----------|----------------------------|---|---------------|------------------|------------|
| Demographic Characteristics  | #         | Low % of #                 | Moderate % of #   | Middle % of # | Upper % of #     | NA* % of # |
| Geographies (Census Tracts/BNAs)   | 1,760     | 10.45                      | 20.00   | 37.84         | 29.03            | 2.67       |
| Population by Geography  | 5,739,798 | 12.66                      | 23.62   | 34.91         | 28.58            | 0.23       |
| Owner-Occupied Housing by Geography  | 649,943   | 2.20                       | 11.02   | 38.59         | 48.19            | 0.01       |
| Business by Geography  | 421,435   | 5.92                       | 19.52   | 26.17         | 45.73            | 2.67       |
| Farms by Geography   | 1,213     | 4.20                       | 11.21   | 31.74         | 51.69            | 1.15       |
| Family Distribution by Income Level  | 1,364,276 | 26.44                      | 16.34   | 18.88         | 38.35            | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 583,514   | 21.80                      | 32.52   | 32.74         | 12.94            | 0.00       |
| Median Family Income<br>HUD Adjusted Median Family Income for 2002<br>Households Below Poverty Level |           | 37,515<br>62,800<br>16.62% | Median Housing Value<br>Unemployment Rate (1990 US<br>Census) |               | 196,678<br>4.36% |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

APPENDIX H

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**Table 1. Lending Volume**

| LENDING VOLUME             |                                     | Geography: TEXAS STATE |            |                           |            | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |            |                             |            |                      |           |                                      |
|----------------------------|-------------------------------------|------------------------|------------|---------------------------|------------|---|------------|-----------------------------|------------|----------------------|-----------|--------------------------------------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage          |            | Small Loans to Businesses |            | Small Loans to Farms                                    |            | Community Development Loans |            | Total Reported Loans |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                      | \$ (000's) | #                         | \$ (000's) | #   | \$ (000's) | #                           | \$ (000's) | #                    | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                        |            |                           |            |   |            |                             |            |                      |           |                                      |
| Harris County AA           | 100.00                              | 2                      | 2,310      | 12                        | 5,175      | 0   | 0          | 0                           | 0          | 14                   | 7,485     | 100.00                               |

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                     | Geography: TEXAS STATE |            |                                      |            | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |            |                 |            |               |            |                          |           |                                      |
|----------------------------|-------------------------------------|------------------------|------------|--------------------------------------|------------|---|------------|-----------------|------------|---------------|------------|--------------------------|-----------|--------------------------------------|
| MA/Assessment Area (2002): | % of Rated Area Loans (#) in MA/AA* | Total Optional Loans   |            | Small Business Real Estate Secured** |            | Home Equity**   |            | Motor Vehicle** |            | Credit Card** |            | Other Secured Consumer** |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                      | \$ (000's) | #                                    | \$ (000's) | #   | \$ (000's) | #               | \$ (000's) | #             | \$ (000's) | #                        | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                        |            |                                      |            |   |            |                 |            |               |            |                          |           |                                      |
| Harris County AA           | 100.00                              | 3                      | 2,316      | 3                                    | 2,316      | 0   | 0          | 0               | 0          | 0             | 0          | 0                        | 0         | 100.00                               |

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                 | Geography: TEXAS STATE |                       | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |   |
|----------------------------|---------------------------------|------------------------|-----------------------|---|---|
| MA/Assessment Area (2002): | Other Unsecured Consumer Loans* |                        | Other Optional Loans* |   |   |
|                            | #                               | \$ (000's)             | #                     | \$ (000's)  |   |
| <b>Full Review:</b>        |                                 |                        |                       |   |   |
| Harris County AA           | 0                               | 0                      | 0                     | 0   | 0 |

\* The evaluation period for Optional Product Line(s) is From January 01, 2002 to December 31, 2002.

**Table2a. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE                  |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
|---|---------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|-------|
| Geography: TEXAS STATE                                  |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| MA/Assessment Area:                                     | Total Home Purchase Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |       |
|   | #                         | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                                     |                           |              |                        |              |                             |              |                           |              |                          |              |   |       |       |       |
| Harris County AA  | 1                         | 100.00       | 5.76                   | 0.00         | 22.64                       | 0.00         | 32.26                     | 0.00         | 39.34                    | 100.00       | 1.98  | 10.87 | 35.98 | 51.15 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3a. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT |                              | Geography: TEXAS STATE |                        |              |                             | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                           |              |                          | Aggregate HMDA Lending (%) by Tract Income* |      |       |       |       |
|---|------------------------------|------------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|---|------|-------|-------|-------|
| MA/Assessment Area:                       | Total Home Improvement Loans |                        | Low-Income Geographies |              | Moderate-Income Geographies |   | Middle-Income Geographies |              | Upper-Income Geographies |   | Low  | Mod   | Mid   | Upp   |
|   | #                            | % of Total**           | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans  | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans                                |      |       |       |       |
| <b>Full Review:</b>                       |                              |                        |                        |              |                             |   |                           |              |                          |   |      |       |       |       |
| Harris County AA                          | 0                            | 0.00                   | 5.76                   | 0.00         | 22.64                       | 0.00  | 32.26                     | 0.00         | 39.34                    | 0.00  | 3.20 | 15.80 | 28.20 | 52.80 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: TEXAS STATE |                        |              |                             | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                           |              |                          |              |   |       |       |       |
|--|-------------------------------------|------------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|--------------|---|-------|-------|-------|
| MA/Assessment Area:                              | Total Home Mortgage Refinance Loans |                        | Low-Income Geographies |              | Moderate-Income Geographies |   | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |       |
|  | #                                   | % of Total**           | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans  | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                              |                                     |                        |                        |              |                             |   |                           |              |                          |              |   |       |       |       |
| Harris County AA                                 | 0                                   | 0.00                   | 5.76                   | 0.00         | 22.64                       | 0.00  | 32.26                     | 0.00         | 39.34                    | 0.00         | 1.54  | 10.84 | 29.92 | 57.69 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5a. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY |                         |              |                        |              |                             |              |                           |              |                          |              |   |       |       | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |  |  |  |  |  |  |
|--------------------------------------|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|-------|-------|------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                  | Total Multifamily Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |       |       |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
|                                      | #                       | % of Total** | % of MF Units***       | % BANK Loans | % MF Units***               | % BANK Loans | % MF Units***             | % BANK Loans | % MF Units***            | % BANK Loans | Low   | Mod   | Mid   | Upp                    |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                  |                         |              |                        |              |                             |              |                           |              |                          |              |   |       |       |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
| Harris County AA                     | 1                       | 100.00       | 10.14                  | 0.00         | 34.65                       | 100.00       | 32.55                     | 0.00         | 22.66                    | 0.00         | 9.02  | 36.89 | 30.33 | 23.77                  |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* Multifamily loans originated in the MA/AA as a percentage of all multifamily loans originated in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |  |  |  |  |  |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|-------|-------|------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                                | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate Lending (%) by Tract Income* |       |       |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***        | % BANK Loans | % of Businesses***       | % BANK Loans | Low                                    | Mod   | Mid   | Upp                    |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                                |                            |              |                        |              |                             |              |                           |              |                          |              |  |       |       |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
| Harris County AA                                   | 12                         | 100.00       | 0.00                   | 8.33         | 0.00                        | 16.67        | 0.00                      | 58.33        | 0.00                     | 16.67        | 5.01                                   | 28.96 | 29.07 | 36.95                  |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 8a. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                           | Geography: TEXAS STATE |                      |                  |                           | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                         |                  |                        | Aggregate Lending Data* |      |       |       |       |
|--------------------------------------|---------------------------|------------------------|----------------------|------------------|---------------------------|---|-------------------------|------------------|------------------------|-------------------------|------|-------|-------|-------|
| MA/Assessment Area:                  | Total Home Purchase Loans |                        | Low-Income Borrowers |                  | Moderate-Income Borrowers |   | Middle-Income Borrowers |                  | Upper-Income Borrowers |                         | Low  | Mod   | Mid   | Upp   |
|                                      | #                         | % of Total**           | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans****  | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans****        |      |       |       |       |
| <b>Full Review:</b>                  |                           |                        |                      |                  |                           |   |                         |                  |                        |                         |      |       |       |       |
| Harris County AA                     | 1                         | 100.00                 | 23.16                | 0.00             | 16.84                     | 0.00  | 20.14                   | 0.00             | 39.87                  | 100.00                  | 6.46 | 22.22 | 26.23 | 45.09 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                              | Geography: TEXAS STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                  |                        |                  |                         |       |       |       |
|---|------------------------------|------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|-------|-------|-------|
| MA/Assessment Area:                     | Total Home Improvement Loans |                        | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |       |
|   | #                            | % of Total**           | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp   |
| <b>Full Review:</b>                     |                              |                        |                      |                  |                           |                  |   |                  |                        |                  |                         |       |       |       |
| Harris County AA                        | 0                            | 0.00                   | 23.16                | 0.00             | 16.84                     | 0.00             | 20.14   | 0.00             | 39.87                  | 0.00             | 8.07                    | 14.95 | 19.84 | 57.13 |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for \*\*\*\*\*% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |  |  |  |  |  |  |
|--|-------------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|-------|-------|------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                            | Total Home Mortgage Refinance Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |       |       |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                                   | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod   | Mid   | Upp                    |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                            |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |       |       |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
| Harris County AA                               | 0                                   | 0.00         | 23.16                | 0.00             | 16.84                     | 0.00             | 20.14                   | 0.00             | 39.87                  | 0.00             | 4.87                    | 15.24 | 22.58 | 57.31                  |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on 2002 Peer Mortgage Data: US and PR.

\*\* As a percentage of loans with borrower income information available. No information was available for \*\*\*\*\*% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |                                 |              |   |   |  |                         |                           |                         |                         |
|--|---------------------------------|--------------|---|---|--|-------------------------|---------------------------|-------------------------|-------------------------|
| Geography: TEXAS STATE                           |                                 |              |   | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |                         |                           |                         |                         |
| MA/Assessment Area:                              | Total Small Loans to Businesses |              | Businesses With Revenues of \$1 million or less |   | Loans by Original Amount Regardless of Business Size |                         |                           | Aggregate Lending Data* |                         |
|  | #                               | % of Total** | % of Businesses***                              | % BANK Loans****  | \$100,000 or less                                    | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All                     | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                              |                                 |              |   |   |  |                         |                           |                         |                         |
| Harris County AA                                 | 12                              | 100.00       | 0.00  | 66.67   | 25.00  | 16.67                   | 58.33                     | 91,351                  | 27,114                  |

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 25.00% of small loans to businesses originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

| Geographic and Borrower Distribution: CONSUMER LOANS    |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
|---|-------------------------|-------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|-----------------|-----------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| Geography: TEXAS STATE                                  |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| MA/Assessment Area:                                     | Geographic Distribution |             |                        |                 |                             |                 |                           |                 |                          |                 | Borrower Distribution |                 |                           |                 |                         |                 |                        |                 |
|   | Total Consumer Loans    |             | Low-Income Geographies |                 | Moderate-Income Geographies |                 | Middle-Income Geographies |                 | Upper-Income Geographies |                 | Low-Income Borrowers  |                 | Moderate-Income Borrowers |                 | Middle-Income Borrowers |                 | Upper-Income Borrowers |                 |
|   | #                       | % of Total* | % of Hhlds**           | % of BANK Loans | % of Hhlds**                | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**             | % of BANK Loans | % of Hhlds*           | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**            | % of BANK Loans | % of Hhlds**           | % of BANK Loans |
| <b>Full Review:</b>                                     |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Harris County AA  | 0                       | 0.00        | 8.53                   | 0.00            | 27.45                       | 0.00            | 32.74                     | 0.00            | 31.27                    | 0.00            | 23.92                 | 0.00            | 16.62                     | 0.00            | 19.31                   | 0.00            | 40.15                  | 0.00            |

\* Consumer loans originated in the MA/AA as a percentage of all consumer loans originated in the rated area.

\*\* Percentage of Households is based on the 1990 Census Information.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS |                           | Geography: TEXAS STATE |                            | Evaluation Period: JANUARY 22, 2001 TO DECEMBER 31, 2002 |                   |           |            |                        |           |
|-----------------------|---------------------------|------------------------|----------------------------|--|-------------------|-----------|------------|------------------------|-----------|
| MA/Assessment Area:   | Prior Period Investments* |                        | Current Period Investments |  | Total Investments |           |            | Unfunded Commitments** |           |
|                       | #                         | \$(000's)              | #                          | \$(000's)  | #                 | \$(000's) | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>   |                           |                        |                            |  |                   |           |            |                        |           |
| Harris County AA      | 0                         | 0                      | 0                          | 0  | 0                 | 0         | 0          | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                |                    |                                |   |        |      |      |                          |                      |   |     |     |     |                                       |       | Geography: TEXAS STATE |       |  |  | Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002 |  |  |  |
|---|--------------------------------|--------------------|--------------------------------|---|--------|------|------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|-------|------------------------|-------|--|--|---|--|--|--|
| MA/Assessment Area:   | Deposits                       | Branches           |                                |   |        |      |      | Branch Openings/Closings |                      |   |     |     |     | Population                            |       |                        |       |  |  |   |  |  |  |
|   | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |      |      | # of Branch Openings     | # of Branch Closings | Net change in Location of Branches (+ or -) |     |     |     | % of Population within Each Geography |       |                        |       |  |  |   |  |  |  |
|   |                                |                    |                                | Low   | Mod    | Mid  | Upp  |                          |                      | Low   | Mod | Mid | Upp | Low                                   | Mod   | Mid                    | Upp   |  |  |   |  |  |  |
| <b>Full Review:</b>   |                                |                    |                                |   |        |      |      |                          |                      |   |     |     |     |                                       |       |                        |       |  |  |   |  |  |  |
| Harris County AA  | 100.00                         | 1                  | 100                            | 0.00  | 100.00 | 0.00 | 0.00 | 1                        | 0                    | 0   | 1   | 0   | 0   | 9.07                                  | 28.71 | 32.36                  | 29.86 |  |  |   |  |  |  |

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Harris County AA

| Demographic Information for Full Scope Area: Harris County AA              |           |               |                         |                  |                 |               |
|--|-----------|---------------|-------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #         | Low<br>% of # | Moderate<br>% of #      | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 582       | 12.54         | 30.76                   | 29.04            | 25.26           | 2.41          |
| Population by Geography  | 2,818,199 | 9.07          | 28.71                   | 32.36            | 29.86           | 0.00          |
| Owner-Occupied Housing by Geography  | 533,891   | 5.76          | 22.64                   | 32.26            | 39.34           | 0.00          |
| Business by Geography  | 0         | 0.00          | 0.00                    | 0.00             | 0.00            | 0.00          |
| Farms by Geography   | 0         | 0.00          | 0.00                    | 0.00             | 0.00            | 0.00          |
| Family Distribution by Income Level  | 708,831   | 23.16         | 16.84                   | 20.14            | 39.87           | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 283,494   | 15.91         | 40.97                   | 30.21            | 12.90           | 0.00          |
| Median Family Income   |           | 36,886        | Median Housing Value    |                  | 75,454          |               |
| HUD Adjusted Median Family Income for 2002                                 |           | 59,600        | Unemployment Rate (1990 |                  | 3.65%           |               |
| Households Below Poverty Level   |           | 13.69%        | US Census)              |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

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Table 1. Lending Volume

| LENDING VOLUME             |                                     | Geography: CALIFORNIA STATE |            |                           |            | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |            |                             |            |                      |           |                                       |
|----------------------------|-------------------------------------|-----------------------------|------------|---------------------------|------------|---|------------|-----------------------------|------------|----------------------|-----------|---------------------------------------|
| MA/Assessment Area (2003): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage               |            | Small Loans to Businesses |            | Small Loans to Farms                                    |            | Community Development Loans |            | Total Reported Loans |           | % of Rated Area Deposits in MA/AA *** |
|                            |                                     | #                           | \$ (000's) | #                         | \$ (000's) | #   | \$ (000's) | #                           | \$ (000's) | #                    | \$(000's) |                                       |
| <b>Full Review:</b>        |                                     |                             |            |                           |            |   |            |                             |            |                      |           |                                       |
| Los Angeles AA             | 76.49                               | 273                         | 87,596     | 413                       | 141,915    | 0   | 0          | 20                          | 47,600     | 706                  | 277,111   | 88.10                                 |
| San Francisco AA           | 22.21                               | 108                         | 39,987     | 94                        | 35,951     | 0   | 0          | 3                           | 7,700      | 205                  | 83,638    | 11.84                                 |
| <b>Limited Review:</b>     |                                     |                             |            |                           |            |   |            |                             |            |                      |           |                                       |
| Sacramento AA              | 1.30                                | 8                           | 1,472      | 4                         | 962        | 0   | 0          | 0                           | 0          | 12                   | 2,434     | 0.06                                  |

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                     | Geography: CALIFORNIA STATE |            |                                      |            |               |            | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |            |               |            |                          |           |                                      |
|----------------------------|-------------------------------------|-----------------------------|------------|--------------------------------------|------------|---------------|------------|---|------------|---------------|------------|--------------------------|-----------|--------------------------------------|
| MA/Assessment Area (2003): | % of Rated Area Loans (#) in MA/AA* | Total Optional Loans        |            | Small Business Real Estate Secured** |            | Home Equity** |            | Motor Vehicle**   |            | Credit Card** |            | Other Secured Consumer** |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                           | \$ (000's) | #                                    | \$ (000's) | #             | \$ (000's) | #   | \$ (000's) | #             | \$ (000's) | #                        | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                             |            |                                      |            |               |            |   |            |               |            |                          |           |                                      |
| Los Angeles AA             | 77.68                               | 428                         | 60,453     | 26                                   | 10,120     | 311           | 43,692     | 21  | 244        | 0             | 0          | 67                       | 5,217     | 88.10                                |
| San Francisco AA           | 21.96                               | 121                         | 24,520     | 18                                   | 5,386      | 94            | 17,629     | 2   | 33         | 0             | 0          | 7                        | 1,472     | 11.84                                |
| <b>Limited Review:</b>     |                                     |                             |            |                                      |            |               |            |   |            |               |            |                          |           |                                      |
| Sacramento AA              | 0.36                                | 2                           | 162        | 0                                    | 0          | 2             | 162        | 0   | 0          | 0             | 0          | 0                        | 0         | 0.06                                 |

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2003 to December 31, 2003.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                 | Geography: CALIFORNIA STATE |                       | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |
|----------------------------|---------------------------------|-----------------------------|-----------------------|---|--|
| MA/Assessment Area (2003): | Other Unsecured Consumer Loans* |                             | Other Optional Loans* |   |  |
|                            | #                               | \$ (000's)                  | #                     | \$ (000's)  |  |
| <b>Full Review:</b>        |                                 |                             |                       |   |  |
| Los Angeles AA             | 3                               | 1,180                       | 0                     | 0   |  |
| San Francisco AA           | 0                               | 0                           | 0                     | 0   |  |
| <b>Limited Review:</b>     |                                 |                             |                       |   |  |
| Sacramento AA              | 0                               | 0                           | 0                     | 0   |  |

\* The evaluation period for Optional Product Line(s) is From January 01, 2003 to December 31, 2003.

**Table2a. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      | Geography: CALIFORNIA STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|--|---------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|------|------|-----------------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                    | Total Home Purchase Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |                             |  |  |  |   |  |  |  |
|  | #                         | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp                         |  |  |  |   |  |  |  |
| <b>Full Review:</b>                    |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      |                             |  |  |  |   |  |  |  |
| Los Angeles AA                         | 40                        | 67.80        | 1.74                   | 0.00         | 18.62                       | 15.00        | 34.89                     | 40.00        | 44.75                    | 45.00        | 0.00  | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |
| San Francisco AA                       | 16                        | 27.12        | 2.38                   | 0.00         | 14.66                       | 12.50        | 46.23                     | 62.50        | 36.73                    | 25.00        | 0.00  | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |
| <b>Limited Review:</b>                 |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      |                             |  |  |  |   |  |  |  |
| Sacramento AA                          | 3                         | 5.08         | 4.82                   | 0.00         | 23.39                       | 0.00         | 39.32                     | 100.00       | 32.47                    | 0.00         | 0.00  | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |

\* Based on Peer Data is not available.

\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**Table 3a. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      | Geography: CALIFORNIA STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|---|------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|------|------|-----------------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                       | Total Home Improvement Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |                             |  |  |  |   |  |  |  |
|   | #                            | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp                         |  |  |  |   |  |  |  |
| <b>Full Review:</b>                       |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      |                             |  |  |  |   |  |  |  |
| Los Angeles AA                            | 21                           | 72.41        | 1.74                   | 4.76         | 18.62                       | 23.81        | 34.89                     | 23.81        | 44.75                    | 47.62        | 0.00  | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |
| San Francisco AA                          | 8                            | 27.59        | 2.38                   | 0.00         | 14.66                       | 12.50        | 46.23                     | 37.50        | 36.73                    | 50.00        | 0.00  | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |
| <b>Limited Review:</b>                    |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      |                             |  |  |  |   |  |  |  |
| Sacramento AA                             | 0                            | 0.00         | 4.82                   | 0.00         | 23.39                       | 0.00         | 39.32                     | 0.00         | 32.47                    | 0.00         | 0.00  | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |

\* Based on Peer Data is not available.

\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: CALIFORNIA STATE |                        |              |                             |              |                           | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                          |              |   |      |      |      |
|--|-------------------------------------|-----------------------------|------------------------|--------------|-----------------------------|--------------|---------------------------|---|--------------------------|--------------|---|------|------|------|
| MA/Assessment Area:                              | Total Home Mortgage Refinance Loans |                             | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |   | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |
|  | #                                   | % of Total**                | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans  | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                              |                                     |                             |                        |              |                             |              |                           |   |                          |              |   |      |      |      |
| Los Angeles AA                                   | 172                                 | 67.98                       | 1.74                   | 2.33         | 18.62                       | 17.44        | 34.89                     | 24.42   | 44.75                    | 55.81        | 0.00  | 0.00 | 0.00 | 0.00 |
| San Francisco AA                                 | 76                                  | 30.04                       | 2.38                   | 9.21         | 14.66                       | 14.47        | 46.23                     | 42.11   | 36.73                    | 34.21        | 0.00  | 0.00 | 0.00 | 0.00 |
| <b>Limited Review:</b>                           |                                     |                             |                        |              |                             |              |                           |   |                          |              |   |      |      |      |
| Sacramento AA                                    | 5                                   | 1.98                        | 4.82                   | 0.00         | 23.39                       | 20.00        | 39.32                     | 20.00   | 32.47                    | 60.00        | 0.00  | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 5a. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY |                         |              |                        |              |                             |              |                           |              |                          |              |   |              |      | Geography: CALIFORNIA STATE |     |     |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|--------------------------------------|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|--------------|------|-----------------------------|-----|-----|--|---|--|--|--|
| MA/Assessment Area:                  | Total Multifamily Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |              |      |                             |     |     |  |   |  |  |  |
|                                      | #                       | % of Total** | % of MF Units***       | % BANK Loans | % MF Units***               | % BANK Loans | % MF Units***             | % BANK Loans | % MF Units***            | % BANK Loans | % MF Units***                               | % BANK Loans | Low  | Mod                         | Mid | Upp |  |   |  |  |  |
| <b>Full Review:</b>                  |                         |              |                        |              |                             |              |                           |              |                          |              |   |              |      |                             |     |     |  |   |  |  |  |
| San Francisco AA                     | 8                       | 16.67        | 14.79                  | 25.00        | 27.21                       | 25.00        | 40.98                     | 37.50        | 17.02                    | 12.50        | 0.00  | 0.00         | 0.00 | 0.00                        |     |     |  |   |  |  |  |
| Los Angeles AA                       | 40                      | 83.33        | 11.40                  | 12.50        | 34.31                       | 52.50        | 30.09                     | 27.50        | 24.19                    | 7.50         | 0.00  | 0.00         | 0.00 | 0.00                        |     |     |  |   |  |  |  |
| <b>Limited Review:</b>               |                         |              |                        |              |                             |              |                           |              |                          |              |   |              |      |                             |     |     |  |   |  |  |  |
| Sacramento AA                        | 0                       | 0.00         | 12.50                  | 0.00         | 39.99                       | 0.00         | 35.52                     | 0.00         | 12.00                    | 0.00         | 0.00  | 0.00         | 0.00 | 0.00                        |     |     |  |   |  |  |  |

\* Based on Peer Data is not available.

\*\* Multifamily loans originated in the MA/AA as a percentage of all multifamily loans originated in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      | Geography: CALIFORNIA STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|------|------|-----------------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                                | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate Lending (%) by Tract Income* |      |      |                             |  |  |  |   |  |  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***        | % BANK Loans | % of Businesses***       | % BANK Loans | Low                                    | Mod  | Mid  | Upp                         |  |  |  |   |  |  |  |
| <b>Full Review:</b>                                |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      |                             |  |  |  |   |  |  |  |
| Los Angeles AA                                     | 413                        | 80.82        | 6.19                   | 7.51         | 24.12                       | 30.27        | 30.90                     | 32.69        | 38.29                    | 29.54        | 0.00                                   | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |
| San Francisco AA                                   | 94                         | 18.40        | 11.05                  | 14.89        | 20.31                       | 29.79        | 38.00                     | 37.23        | 30.55                    | 18.09        | 0.00                                   | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |
| <b>Limited Review:</b>                             |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      |                             |  |  |  |   |  |  |  |
| Sacramento AA                                      | 4                          | 0.78         | 10.40                  | 0.00         | 30.05                       | 75.00        | 33.43                     | 25.00        | 26.12                    | 0.00         | 0.00                                   | 0.00 | 0.00 | 0.00                        |  |  |  |   |  |  |  |

\* Based on Aggregate Small Business Data Only.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2003).

**Table 8a. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                           | Geography: CALIFORNIA STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                  |                        |                  |                         |      |      |      |
|--------------------------------------|---------------------------|-----------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|------|------|------|
| MA/Assessment Area:                  | Total Home Purchase Loans |                             | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |      |
|                                      | #                         | % of Total**                | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                  |                           |                             |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Los Angeles AA                       | 40                        | 67.80                       | 23.14                | 0.00             | 17.17                     | 5.13             | 18.72   | 17.95            | 40.98                  | 76.92            | 0.00                    | 0.00 | 0.00 | 0.00 |
| San Francisco AA                     | 16                        | 27.12                       | 21.05                | 0.00             | 17.75                     | 31.25            | 21.12   | 25.00            | 40.08                  | 43.75            | 0.00                    | 0.00 | 0.00 | 0.00 |
| <b>Limited Review:</b>               |                           |                             |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Sacramento AA                        | 3                         | 5.08                        | 22.73                | 0.00             | 19.11                     | 0.00             | 20.92   | 66.67            | 37.25                  | 33.33            | 0.00                    | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.69% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                              | Geography: CALIFORNIA STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                  |                        |                  |                         |      |      |      |
|---|------------------------------|-----------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|------|------|------|
| MA/Assessment Area:                     | Total Home Improvement Loans |                             | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |      |
|   | #                            | % of Total**                | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                     |                              |                             |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Los Angeles AA                          | 21                           | 72.41                       | 23.14                | 5.00             | 17.17                     | 10.00            | 18.72   | 10.00            | 40.98                  | 75.00            | 0.00                    | 0.00 | 0.00 | 0.00 |
| San Francisco AA                        | 8                            | 27.59                       | 21.05                | 0.00             | 17.75                     | 12.50            | 21.12   | 25.00            | 40.08                  | 62.50            | 0.00                    | 0.00 | 0.00 | 0.00 |
| <b>Limited Review:</b>                  |                              |                             |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Sacramento AA                           | 0                            | 0.00                        | 22.73                | 0.00             | 19.11                     | 0.00             | 20.92   | 0.00             | 37.25                  | 0.00             | 0.00                    | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 3.45% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: CALIFORNIA STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                  |                        |                  |                         |      |      |      |
|--|-------------------------------------|-----------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|------|------|------|
| MA/Assessment Area:                            | Total Home Mortgage Refinance Loans |                             | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |      |
|  | #                                   | % of Total**                | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                            |                                     |                             |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Los Angeles AA                                 | 172                                 | 67.98                       | 23.14                | 3.49             | 17.17                     | 7.56             | 18.72   | 19.19            | 40.98                  | 69.77            | 0.00                    | 0.00 | 0.00 | 0.00 |
| San Francisco AA                               | 76                                  | 30.04                       | 21.05                | 2.63             | 17.75                     | 28.95            | 21.12   | 13.16            | 40.08                  | 55.26            | 0.00                    | 0.00 | 0.00 | 0.00 |
| <b>Limited Review:</b>                         |                                     |                             |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Sacramento AA                                  | 5                                   | 1.98                        | 22.73                | 0.00             | 19.11                     | 0.00             | 20.92   | 20.00            | 37.25                  | 80.00            | 0.00                    | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |                                 |              |   |                  |   |                         |                           |                         |                         |
|--|---------------------------------|--------------|---|------------------|---|-------------------------|---------------------------|-------------------------|-------------------------|
| Geography: CALIFORNIA STATE                      |                                 |              |   |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                         |                           |                         |                         |
| MA/Assessment Area:                              | Total Small Loans to Businesses |              | Businesses With Revenues of \$1 million or less |                  | Loans by Original Amount Regardless of Business Size    |                         |                           | Aggregate Lending Data* |                         |
|  | #                               | % of Total** | % of Businesses***                              | % BANK Loans**** | \$100,000 or less                                       | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All                     | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                              |                                 |              |   |                  |   |                         |                           |                         |                         |
| Los Angeles AA                                   | 413                             | 80.82        | 62.33   | 36.08            | 34.38   | 19.13                   | 46.49                     | 0                       | 0                       |
| San Francisco AA                                 | 94                              | 18.40        | 61.12   | 46.81            | 27.66   | 21.28                   | 51.06                     | 0                       | 0                       |
| <b>Limited Review:</b>                           |                                 |              |   |                  |   |                         |                           |                         |                         |
| Sacramento AA                                    | 4                               | 0.78         | 62.61   | 100.00           | 0.00  | 75.00                   | 25.00                     | 0                       | 0                       |

\* Based on Aggregate Small Business Data Only.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 23.48% of small loans to businesses originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

| Geographic and Borrower Distribution: CONSUMER LOANS |                         | Geography: CALIFORNIA STATE |                        |                 |                             |                 |                           |                 |                          |                 |                       | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                           |                 |                         |                 |                        |                 |  |
|--|-------------------------|-----------------------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|-----------------|-----------------------|---|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|--|
| MA/Assessment Area:                                  | Geographic Distribution |                             |                        |                 |                             |                 |                           |                 |                          |                 | Borrower Distribution |   |                           |                 |                         |                 |                        |                 |  |
|  | Total Consumer Loans    |                             | Low-Income Geographies |                 | Moderate-Income Geographies |                 | Middle-Income Geographies |                 | Upper-Income Geographies |                 | Low-Income Borrowers  |   | Moderate-Income Borrowers |                 | Middle-Income Borrowers |                 | Upper-Income Borrowers |                 |  |
|  | #                       | % of Total*                 | % of Hhlds**           | % of BANK Loans | % of Hhlds**                | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**             | % of BANK Loans | % of Hhlds*           | % of BANK Loans   | % of Hhlds**              | % of BANK Loans | % of Hhlds**            | % of BANK Loans | % of Hhlds**           | % of BANK Loans |  |
| <b>Full Review:</b>                                  |                         |                             |                        |                 |                             |                 |                           |                 |                          |                 |                       |   |                           |                 |                         |                 |                        |                 |  |
| Los Angeles AA                                       | 402                     | 79.29                       | 5.67                   | 0.75            | 27.06                       | 13.93           | 33.19                     | 30.60           | 34.08                    | 54.73           | 24.13                 | 5.09  | 16.33                     | 10.18           | 18.01                   | 24.85           | 41.54                  | 59.88           |  |
| San Francisco AA                                     | 103                     | 20.32                       | 6.89                   | 7.77            | 20.80                       | 10.68           | 44.37                     | 40.78           | 27.94                    | 40.78           | 23.25                 | 9.38  | 16.57                     | 19.79           | 19.23                   | 26.04           | 40.95                  | 44.79           |  |
| <b>Limited Review:</b>                               |                         |                             |                        |                 |                             |                 |                           |                 |                          |                 |                       |   |                           |                 |                         |                 |                        |                 |  |
| Sacramento AA  | 2                       | 0.39                        | 8.10                   | 0.00            | 29.85                       | 100.00          | 37.43                     | 0.00            | 24.62                    | 0.00            | 24.08                 | 0.00  | 17.83                     | 50.00           | 19.82                   | 50.00           | 38.26                  | 0.00            |  |

\* Consumer loans originated in the MA/AA as a percentage of all consumer loans originated in the rated area.

\*\* Percentage of Households is based on the 2000 Census Information.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS  |                           | Geography: CALIFORNIA STATE |                            |           |                   | Evaluation Period: JANUARY 1, 2003 TO FEBRUARY 23, 2004 |            |                        |           |
|------------------------|---------------------------|-----------------------------|----------------------------|-----------|-------------------|---|------------|------------------------|-----------|
| MA/Assessment Area:    | Prior Period Investments* |                             | Current Period Investments |           | Total Investments |   |            | Unfunded Commitments** |           |
|                        | #                         | \$(000's)                   | #                          | \$(000's) | #                 | \$(000's)   | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>    |                           |                             |                            |           |                   |   |            |                        |           |
| Los Angeles AA         | 0                         | 0                           | 23                         | 7,043     | 23                | 7,043   | 99.93      | 0                      | 0         |
| San Francisco AA       | 0                         | 0                           | 2                          | 5         | 2                 | 5   | 0.07       | 0                      | 0         |
| <b>Limited Review:</b> |                           |                             |                            |           |                   |   |            |                        |           |
| Sacramento AA          | 0                         | 0                           | 0                          | 0         | 0                 | 0   | 0.00       | 0                      | 0         |
| Statewide Areas        | 0                         | 0                           | 5                          | 10,507    | 5                 | 10,507  | NA         | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |      |      |      |
|---|--------------------------------|--------------------|--------------------------------|---|--------|-------|-------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|------|------|------|
| Geography: CALIFORNIA STATE   |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |      |      |      |
| Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003             |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |      |      |      |
| MA/Assessment Area:   | Deposits                       | Branches           |                                |   |        |       |       | Branch Openings/Closings |                      |   |     |     |     | Population                            |      |      |      |
|   | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |       |       | # of Branch Openings     | # of Branch Closings | Net change in Location of Branches (+ or -) |     |     |     | % of Population within Each Geography |      |      |      |
|   |                                |                    |                                | Low   | Mod    | Mid   | Upp   |                          |                      | Low   | Mod | Mid | Upp | Low                                   | Mod  | Mid  | Upp  |
| <b>Full Review:</b>   |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |      |      |      |
| Los Angeles AA  | 88.10                          | 12                 | 63                             | 8.33  | 16.67  | 41.67 | 33.33 | 0                        | 0                    | 0   | 0   | 0   | 0   | 0.00                                  | 0.00 | 0.00 | 0.00 |
| San Francisco AA  | 11.84                          | 6                  | 32                             | 0.00  | 33.33  | 50.00 | 16.67 | 1                        | 0                    | 0   | 0   | 1   | 0   | 0.00                                  | 0.00 | 0.00 | 0.00 |
| <b>Limited Review:</b>  |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |      |      |      |
| Sacramento AA   | 0.06                           | 1                  | 5                              | 0.00  | 100.00 | 0.00  | 0.00  | 1                        | 0                    | 0   | 1   | 0   | 0   | 0.00                                  | 0.00 | 0.00 | 0.00 |

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**San Francisco AA**

| Demographic Information for Full Scope Area: San Francisco AA  |           |                           |   |                  |                  |               |
|--|-----------|---------------------------|---|------------------|------------------|---------------|
| Demographic Characteristics  | #         | Low<br>% of #             | Moderate<br>% of #  | Middle<br>% of # | Upper<br>% of #  | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 1,161     | 8.01                      | 22.65   | 41.34            | 27.73            | 0.26          |
| Population by Geography  | 5,559,036 | 7.00                      | 22.83   | 43.50            | 26.66            | 0.01          |
| Owner-Occupied Housing by Geography  | 1,134,934 | 2.38                      | 14.66   | 46.23            | 36.73            | 0.00          |
| Business by Geography  | 401,805   | 11.05                     | 20.31   | 38.00            | 30.55            | 0.09          |
| Farms by Geography   | 5,270     | 5.46                      | 19.89   | 40.68            | 33.97            | 0.00          |
| Family Distribution by Income Level  | 1,305,527 | 21.05                     | 17.75   | 21.12            | 40.08            | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 506,494   | 11.59                     | 31.22   | 42.56            | 14.62            | 0.00          |
| Median Family Income<br>HUD Adjusted Median Family Income for 2003<br>Households Below Poverty Level |           | 74,467<br>89,336<br>7.68% | Median Housing Value<br>Unemployment Rate (2000 US<br>Census) |                  | 394,152<br>2.34% |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2003 HUD updated MFI

**Sacramento AA**

| Demographic Information for Limited Scope Area: Sacramento AA              |           |               |                            |                  |                 |               |
|--|-----------|---------------|----------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #         | Low<br>% of # | Moderate<br>% of #         | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 279       | 9.32          | 29.03                      | 37.63            | 24.01           | 0.00          |
| Population by Geography  | 1,223,499 | 8.88          | 30.36                      | 36.37            | 24.39           | 0.00          |
| Owner-Occupied Housing by Geography  | 263,811   | 4.82          | 23.39                      | 39.32            | 32.47           | 0.00          |
| Business by Geography  | 72,939    | 10.40         | 30.05                      | 33.43            | 26.12           | 0.00          |
| Farms by Geography   | 1,489     | 6.04          | 23.24                      | 39.29            | 31.43           | 0.00          |
| Family Distribution by Income Level  | 299,738   | 22.73         | 19.11                      | 20.92            | 37.25           | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 125,400   | 13.56         | 40.64                      | 33.44            | 12.36           | 0.00          |
| Median Family Income   |           | 54,006        | Median Housing Value       |                  | 155,600         |               |
| HUD Adjusted Median Family Income for 2003                                 |           | 59,800        | Unemployment Rate (2000 US |                  | 3.91%           |               |
| Households Below Poverty Level   |           | 10.15%        | Census)                    |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2003 HUD updated MFI

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**Los Angeles AA**

| Demographic Information for Full Scope Area: Los Angeles AA                |            |               |                            |                  |                 |               |
|--|------------|---------------|----------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #          | Low<br>% of # | Moderate<br>% of #         | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 3,073      | 7.29          | 29.06                      | 31.50            | 31.60           | 0.55          |
| Population by Geography  | 15,029,426 | 6.70          | 30.42                      | 33.09            | 29.75           | 0.04          |
| Owner-Occupied Housing by Geography  | 2,625,383  | 1.74          | 18.62                      | 34.89            | 44.75           | 0.00          |
| Business by Geography  | 1,061,396  | 6.19          | 24.12                      | 30.90            | 38.29           | 0.49          |
| Farms by Geography   | 11,496     | 2.78          | 21.84                      | 36.90            | 38.33           | 0.15          |
| Family Distribution by Income Level  | 3,465,293  | 23.14         | 17.17                      | 18.72            | 40.98           | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 1,396,692  | 11.04         | 41.98                      | 31.63            | 15.35           | 0.00          |
| Median Family Income   |            | 50,043        | Median Housing Value       |                  | 222,791         |               |
| HUD Adjusted Median Family Income for 2003                                 |            | 54,133        | Unemployment Rate (2000 US |                  | 3.43%           |               |
| Households Below Poverty Level   |            | 13.45%        | Census)                    |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2003 HUD updated MFI

**Table 1. Lending Volume**

| LENDING VOLUME             |                                     | Geography: NEW YORK STATE |            |                           |            |                      |            | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |            |                      |           |                                      |
|----------------------------|-------------------------------------|---------------------------|------------|---------------------------|------------|----------------------|------------|---|------------|----------------------|-----------|--------------------------------------|
| MA/Assessment Area (2003): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage             |            | Small Loans to Businesses |            | Small Loans to Farms |            | Community Development Loans                             |            | Total Reported Loans |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                         | \$ (000's) | #                         | \$ (000's) | #                    | \$ (000's) | #   | \$ (000's) | #                    | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                           |            |                           |            |                      |            |   |            |                      |           |                                      |
| New York AA                | 100.00                              | 19                        | 12,612     | 25                        | 9,915      | 0                    | 0          | 2   | 18,000     | 46                   | 40,527    | 100.0                                |

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                     | Geography: NEW YORK STATE |            |                                      |            | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |            |                 |            |               |            |                          |           |                                      |
|----------------------------|-------------------------------------|---------------------------|------------|--------------------------------------|------------|---|------------|-----------------|------------|---------------|------------|--------------------------|-----------|--------------------------------------|
| MA/Assessment Area (2003): | % of Rated Area Loans (#) in MA/AA* | Total Optional Loans      |            | Small Business Real Estate Secured** |            | Home Equity**   |            | Motor Vehicle** |            | Credit Card** |            | Other Secured Consumer** |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                         | \$ (000's) | #                                    | \$ (000's) | #   | \$ (000's) | #               | \$ (000's) | #             | \$ (000's) | #                        | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                           |            |                                      |            |   |            |                 |            |               |            |                          |           |                                      |
| New York AA                | 100.00                              | 2                         | 1,300      | 1                                    | 1,000      | 0   | 0          | 0               | 0          | 0             | 0          | 1                        | 300       | 100.0                                |

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2003 to December 31, 2003.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                 | Geography: NEW YORK STATE |                       | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |   |
|----------------------------|---------------------------------|---------------------------|-----------------------|---|---|
| MA/Assessment Area (2003): | Other Unsecured Consumer Loans* |                           | Other Optional Loans* |   |   |
|                            | #                               | \$ (000's)                | #                     | \$ (000's)  |   |
| <b>Full Review:</b>        |                                 |                           |                       |   |   |
| New York AA                | 0                               | 0                         | 0                     | 0   | 0 |

\* The evaluation period for Optional Product Line(s) is From January 01, 2003 to December 31, 2003.

**Table2a. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE |                           | Geography: NEW YORK STATE |                        |              |                             | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                           |              |                          |              |   |      |      |      |
|--|---------------------------|---------------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|--------------|---|------|------|------|
| MA/Assessment Area:                    | Total Home Purchase Loans |                           | Low-Income Geographies |              | Moderate-Income Geographies |   | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |
|  | #                         | % of Total**              | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans  | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                    |                           |                           |                        |              |                             |   |                           |              |                          |              |   |      |      |      |
| New York AA                            | 5                         | 100.00                    | 1.89                   | 0.00         | 14.99                       | 0.00  | 34.22                     | 80.00        | 48.91                    | 20.00        | 0.00  | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**Table 3a. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT               |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
|---|------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|------|------|------|
| Geography: NEW YORK STATE                               |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
| Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
| MA/Assessment Area:                                     | Total Home Improvement Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |
|   | #                            | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                                     |                              |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
| New York AA   | 0                            | 0.00         | 1.89                   | 0.00         | 14.99                       | 0.00         | 34.22                     | 0.00         | 48.91                    | 0.00         | 0.00  | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: NEW YORK STATE |                        |              |                             |              |                           | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                          |              |   |      |      |      |
|--|-------------------------------------|---------------------------|------------------------|--------------|-----------------------------|--------------|---------------------------|---|--------------------------|--------------|---|------|------|------|
| MA/Assessment Area:                              | Total Home Mortgage Refinance Loans |                           | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |   | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |
|  | #                                   | % of Total**              | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans  | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                              |                                     |                           |                        |              |                             |              |                           |   |                          |              |   |      |      |      |
| New York AA                                      | 3                                   | 100.00                    | 1.89                   | 0.00         | 14.99                       | 0.00         | 34.22                     | 0.00  | 48.91                    | 100.00       | 0.00  | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 5a. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY |                         |              |                        |              |                             |              |                           |              |                          |              |   |      |      | Geography: NEW YORK STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |  |  |  |  |  |
|--------------------------------------|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|------|------|---------------------------|--|--|--|---|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                  | Total Multifamily Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |                           |  |  |  |   |  |  |  |  |  |  |  |  |
|                                      | #                       | % of Total** | % of MF Units***       | % BANK Loans | % MF Units***               | % BANK Loans | % MF Units***             | % BANK Loans | % MF Units***            | % BANK Loans | Low   | Mod  | Mid  | Upp                       |  |  |  |   |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                  |                         |              |                        |              |                             |              |                           |              |                          |              |   |      |      |                           |  |  |  |   |  |  |  |  |  |  |  |  |
| New York AA                          | 11                      | 100.00       | 11.54                  | 9.09         | 29.17                       | 90.91        | 22.30                     | 0.00         | 37.00                    | 0.00         | 0.00  | 0.00 | 0.00 | 0.00                      |  |  |  |   |  |  |  |  |  |  |  |  |

\* Based on Peer Data is not available.

\*\* Multifamily loans originated in the MA/AA as a percentage of all multifamily loans originated in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      | Geography: NEW YORK STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |  |  |  |  |  |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|------|------|---------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                                | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate Lending (%) by Tract Income* |      |      |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***        | % BANK Loans | % of Businesses***       | % BANK Loans | Low                                    | Mod  | Mid  | Upp                       |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                                |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      |                           |  |  |  |   |  |  |  |  |  |  |  |  |  |
| New York AA  | 25                         | 100.00       | 4.72                   | 8.00         | 18.80                       | 24.00        | 22.14                     | 52.00        | 52.47                    | 16.00        | 0.00                                   | 0.00 | 0.00 | 0.00                      |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on Aggregate Small Business Data Only.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2003).

**Table 8a. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                           | Geography: NEW YORK STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                  |                        |                  |                         |      |      |      |
|--------------------------------------|---------------------------|---------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|------|------|------|
| MA/Assessment Area:                  | Total Home Purchase Loans |                           | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |      |
|                                      | #                         | % of Total**              | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                  |                           |                           |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| New York AA                          | 5                         | 100.00                    | 27.71                | 0.00             | 15.91                     | 0.00             | 16.78   | 40.00            | 39.59                  | 60.00            | 0.00                    | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                              | Geography: NEW YORK STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                  |                        |                  |                         |      |      |      |
|---|------------------------------|---------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|------|------|------|
| MA/Assessment Area:                     | Total Home Improvement Loans |                           | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |      |
|   | #                            | % of Total**              | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                     |                              |                           |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| New York AA                             | 0                            | 0.00                      | 27.71                | 0.00             | 15.91                     | 0.00             | 16.78   | 0.00             | 39.59                  | 0.00             | 0.00                    | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |      |      | Geography: NEW YORK STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |  |  |  |  |  |
|--|-------------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|------|------|---------------------------|--|--|--|---|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                            | Total Home Mortgage Refinance Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |                           |  |  |  |   |  |  |  |  |  |  |  |  |
|  | #                                   | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp                       |  |  |  |   |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                            |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |      |      |                           |  |  |  |   |  |  |  |  |  |  |  |  |
| New York AA                                    | 3                                   | 100.00       | 27.71                | 0.00             | 15.91                     | 0.00             | 16.78                   | 0.00             | 39.59                  | 100.00           | 0.00                    | 0.00 | 0.00 | 0.00                      |  |  |  |   |  |  |  |  |  |  |  |  |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |                                 |              |   |                  |   |                         |                           |                         |                         |
|--|---------------------------------|--------------|---|------------------|---|-------------------------|---------------------------|-------------------------|-------------------------|
| Geography: NEW YORK STATE                        |                                 |              |   |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                         |                           |                         |                         |
| MA/Assessment Area:                              | Total Small Loans to Businesses |              | Businesses With Revenues of \$1 million or less |                  | Loans by Original Amount Regardless of Business Size    |                         |                           | Aggregate Lending Data* |                         |
|  | #                               | % of Total** | % of Businesses***                              | % BANK Loans**** | \$100,000 or less                                       | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All                     | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                              |                                 |              |   |                  |   |                         |                           |                         |                         |
| New York AA                                      | 25                              | 100.00       | 61.86   | 52.00            | 16.00   | 32.00                   | 52.00                     | 0                       | 0                       |

\* Based on Aggregate Small Business Data Only.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 4.00% of small loans to businesses originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

| Geographic and Borrower Distribution: CONSUMER LOANS    |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
|---|-------------------------|-------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|-----------------|-----------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| Geography: NEW YORK STATE                               |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| MA/Assessment Area:                                     | Geographic Distribution |             |                        |                 |                             |                 |                           |                 |                          |                 | Borrower Distribution |                 |                           |                 |                         |                 |                        |                 |
|   | Total Consumer Loans    |             | Low-Income Geographies |                 | Moderate-Income Geographies |                 | Middle-Income Geographies |                 | Upper-Income Geographies |                 | Low-Income Borrowers  |                 | Moderate-Income Borrowers |                 | Middle-Income Borrowers |                 | Upper-Income Borrowers |                 |
|   | #                       | % of Total* | % of Hhlds**           | % of BANK Loans | % of Hhlds**                | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**             | % of BANK Loans | % of Hhlds*           | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**            | % of BANK Loans | % of Hhlds**           | % of BANK Loans |
| <b>Full Review:</b>                                     |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| New York AA   | 1                       | 100.00      | 8.52                   | 0.00            | 27.30                       | 0.00            | 29.42                     | 100.00          | 34.75                    | 0.00            | 28.37                 | 0.00            | 14.08                     | 0.00            | 16.11                   | 0.00            | 41.44                  | 0.00            |

\* Consumer loans originated in the MA/AA as a percentage of all consumer loans originated in the rated area.

\*\* Percentage of Households is based on the 2000 Census Information.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS |                           | Geography: NEW YORK STATE |                            |           |                   | Evaluation Period: JANUARY 1, 2003 TO FEBRUARY 23, 2004 |            |                        |           |
|-----------------------|---------------------------|---------------------------|----------------------------|-----------|-------------------|---|------------|------------------------|-----------|
| MA/Assessment Area:   | Prior Period Investments* |                           | Current Period Investments |           | Total Investments |   |            | Unfunded Commitments** |           |
|                       | #                         | \$(000's)                 | #                          | \$(000's) | #                 | \$(000's)   | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>   |                           |                           |                            |           |                   |   |            |                        |           |
| New York AA           | 0                         | 0                         | 2                          | 2,002     | 2                 | 2,002   | 100.00     | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                |                    |                                |   |        |      |      |                          |                      |   |     |     |     |                                       |      | Geography: NEW YORK STATE |      |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|---|--------------------------------|--------------------|--------------------------------|---|--------|------|------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|------|---------------------------|------|--|--|---|--|--|--|
| MA/Assessment Area:   | Deposits                       | Branches           |                                |   |        |      |      | Branch Openings/Closings |                      |   |     |     |     | Population                            |      |                           |      |  |  |   |  |  |  |
|   | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |      |      | # of Branch Openings     | # of Branch Closings | Net change in Location of Branches (+ or -) |     |     |     | % of Population within Each Geography |      |                           |      |  |  |   |  |  |  |
|   |                                |                    |                                | Low   | Mod    | Mid  | Upp  |                          |                      | Low   | Mod | Mid | Upp | Low                                   | Mod  | Mid                       | Upp  |  |  |   |  |  |  |
| <b>Full Review:</b>   |                                |                    |                                |   |        |      |      |                          |                      |   |     |     |     |                                       |      |                           |      |  |  |   |  |  |  |
| New York AA   | 100.00                         | 3                  | 100                            | 0.00  | 100.00 | 0.00 | 0.00 | 0                        | 0                    | 0   | 0   | 0   | 0   | 0.00                                  | 0.00 | 0.00                      | 0.00 |  |  |   |  |  |  |

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**New York AA**

| Demographic Information for Full Scope Area: New York AA                   |           |               |                                    |                  |                 |               |
|--|-----------|---------------|------------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #         | Low<br>% of # | Moderate<br>% of #                 | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)   | 1,752     | 9.08          | 25.46                              | 32.76            | 30.31           | 2.40          |
| Population by Geography  | 6,231,900 | 9.84          | 30.53                              | 30.71            | 28.87           | 0.05          |
| Owner-Occupied Housing by Geography  | 721,879   | 1.89          | 14.99                              | 34.22            | 48.91           | 0.00          |
| Business by Geography  | 428,347   | 4.72          | 18.80                              | 22.14            | 52.47           | 1.87          |
| Farms by Geography   | 1,235     | 2.67          | 12.87                              | 27.29            | 56.11           | 1.05          |
| Family Distribution by Income Level  | 1,437,894 | 27.71         | 15.91                              | 16.78            | 39.59           | 0.00          |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 627,236   | 17.18         | 40.95                              | 28.94            | 12.92           | 0.00          |
| Median Family Income   |           | 46,471        | Median Housing Value               |                  | 258,256         |               |
| HUD Adjusted Median Family Income for 2003                                 |           | 51,900        | Unemployment Rate (2000 US Census) |                  | 4.22%           |               |
| Households Below Poverty Level   |           | 18.52%        |                                    |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2003 HUD updated MFI

APPENDIX K

Institution ID: 3000 0018503 CATHAY BANK

**Table 1. Lending Volume**

| LENDING VOLUME             |                                     | Geography: TEXAS STATE |            |                           |            | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |            |                             |            |                      |           |                                      |
|----------------------------|-------------------------------------|------------------------|------------|---------------------------|------------|---|------------|-----------------------------|------------|----------------------|-----------|--------------------------------------|
| MA/Assessment Area (2003): | % of Rated Area Loans (#) in MA/AA* | Home Mortgage          |            | Small Loans to Businesses |            | Small Loans to Farms                                    |            | Community Development Loans |            | Total Reported Loans |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                      | \$ (000's) | #                         | \$ (000's) | #   | \$ (000's) | #                           | \$ (000's) | #                    | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                        |            |                           |            |   |            |                             |            |                      |           |                                      |
| Harris County AA           | 100.00                              | 2                      | 708        | 13                        | 7,324      | 0   | 0          | 3                           | 7,000      | 18                   | 15,032    | 100.00                               |

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                     | Geography: TEXAS STATE |            |                                      |            | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |            |                 |            |               |            |                          |           |                                      |
|----------------------------|-------------------------------------|------------------------|------------|--------------------------------------|------------|---|------------|-----------------|------------|---------------|------------|--------------------------|-----------|--------------------------------------|
| MA/Assessment Area (2003): | % of Rated Area Loans (#) in MA/AA* | Total Optional Loans   |            | Small Business Real Estate Secured** |            | Home Equity**   |            | Motor Vehicle** |            | Credit Card** |            | Other Secured Consumer** |           | % of Rated Area Deposits in MA/AA*** |
|                            |                                     | #                      | \$ (000's) | #                                    | \$ (000's) | #   | \$ (000's) | #               | \$ (000's) | #             | \$ (000's) | #                        | \$(000's) |                                      |
| <b>Full Review:</b>        |                                     |                        |            |                                      |            |   |            |                 |            |               |            |                          |           |                                      |
| Harris County AA           | 0.00                                | 0                      | 0          | 0                                    | 0          | 0   | 0          | 0               | 0          | 0             | 0          | 0                        | 0         | 100.00                               |

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.  
 \*\* The evaluation period for Optional Product Line(s) is From January 01, 2003 to December 31, 2003.  
 \*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

| LENDING VOLUME             |                                 | Geography: TEXAS STATE |                       | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |   |
|----------------------------|---------------------------------|------------------------|-----------------------|---|---|
| MA/Assessment Area (2003): | Other Unsecured Consumer Loans* |                        | Other Optional Loans* |   |   |
|                            | #                               | \$ (000's)             | #                     | \$ (000's)  |   |
| <b>Full Review:</b>        |                                 |                        |                       |   |   |
| Harris County AA           | 0                               | 0                      | 0                     | 0   | 0 |

\* The evaluation period for Optional Product Line(s) is From January 01, 2003 to December 31, 2003.

**Table2a. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE                  |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
|---|---------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|------|------|------|
| Geography: TEXAS STATE                                  |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
| Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
| MA/Assessment Area:                                     | Total Home Purchase Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |
|   | #                         | % of Total** | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans | Low   | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                                     |                           |              |                        |              |                             |              |                           |              |                          |              |   |      |      |      |
| Harris County AA  | 1                         | 100.00       | 3.87                   | 100.00       | 25.73                       | 0.00         | 30.52                     | 0.00         | 39.88                    | 0.00         | 0.00  | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**Table 3a. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT |                              | Geography: TEXAS STATE |                        |              |                             | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                           |              |                          | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |      |
|---|------------------------------|------------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|---|------|------|------|------|
| MA/Assessment Area:                       | Total Home Improvement Loans |                        | Low-Income Geographies |              | Moderate-Income Geographies |   | Middle-Income Geographies |              | Upper-Income Geographies |   | Low  | Mod  | Mid  | Upp  |
|   | #                            | % of Total**           | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans  | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans                                |      |      |      |      |
| <b>Full Review:</b>                       |                              |                        |                        |              |                             |   |                           |              |                          |   |      |      |      |      |
| Harris County AA                          | 0                            | 0.00                   | 3.87                   | 0.00         | 25.73                       | 0.00  | 30.52                     | 0.00         | 39.88                    | 0.00  | 0.00 | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                                     | Geography: TEXAS STATE |                        |              |                             | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                           |              |                          | Aggregate HMDA Lending (%) by Tract Income* |      |      |      |      |
|--|-------------------------------------|------------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|---|------|------|------|------|
| MA/Assessment Area:                              | Total Home Mortgage Refinance Loans |                        | Low-Income Geographies |              | Moderate-Income Geographies |   | Middle-Income Geographies |              | Upper-Income Geographies |   |      |      |      |      |
|  | #                                   | % of Total**           | % Owner Occ Units***   | % BANK Loans | % Owner Occ Units***        | % BANK Loans  | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***     | % BANK Loans                                | Low  | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                              |                                     |                        |                        |              |                             |   |                           |              |                          |   |      |      |      |      |
| Harris County AA                                 | 1                                   | 100.00                 | 3.87                   | 0.00         | 25.73                       | 0.00  | 30.52                     | 0.00         | 39.88                    | 100.00                                      | 0.00 | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**Table 5a. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY |                         |              |                        |              |                             |              |                           |              |                          |              |   |      |      | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |  |  |  |  |  |  |
|--------------------------------------|-------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---|------|------|------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                  | Total Multifamily Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate HMDA Lending (%) by Tract Income* |      |      |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
|                                      | #                       | % of Total** | % of MF Units***       | % BANK Loans | % MF Units***               | % BANK Loans | % MF Units***             | % BANK Loans | % MF Units***            | % BANK Loans | Low   | Mod  | Mid  | Upp                    |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                  |                         |              |                        |              |                             |              |                           |              |                          |              |   |      |      |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
| Harris County AA                     | 0                       | 0.00         | 10.24                  | 0.00         | 36.30                       | 0.00         | 31.19                     | 0.00         | 22.27                    | 0.00         | 0.00  | 0.00 | 0.00 | 0.00                   |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on Peer Data is not available.

\*\* Multifamily loans originated in the MA/AA as a percentage of all multifamily loans originated in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

**Table 6a. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |  |  |  |  |  |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|------|------|------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                                | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Aggregate Lending (%) by Tract Income* |      |      |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***        | % BANK Loans | % of Businesses***       | % BANK Loans | Low                                    | Mod  | Mid  | Upp                    |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                                |                            |              |                        |              |                             |              |                           |              |                          |              |  |      |      |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
| Harris County AA                                   | 13                         | 100.00       | 5.84                   | 15.38        | 27.94                       | 46.15        | 25.83                     | 30.77        | 40.08                    | 7.69         | 0.00                                   | 0.00 | 0.00 | 0.00                   |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on Aggregate Small Business Data Only.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2003).

**Table 8a. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                           | Geography: TEXAS STATE |                      |                  |                           |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                  |                        |                  |                         |      |      |      |
|--------------------------------------|---------------------------|------------------------|----------------------|------------------|---------------------------|------------------|---|------------------|------------------------|------------------|-------------------------|------|------|------|
| MA/Assessment Area:                  | Total Home Purchase Loans |                        | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers                                 |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |      |
|                                      | #                         | % of Total**           | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***   | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                  |                           |                        |                      |                  |                           |                  |   |                  |                        |                  |                         |      |      |      |
| Harris County AA                     | 1                         | 100.00                 | 24.07                | 0.00             | 17.82                     | 0.00             | 18.70   | 0.00             | 39.40                  | 0.00             | 0.00                    | 0.00 | 0.00 | 0.00 |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 100.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated in the MA/AA as a percentage of all home purchase loans originated in the rated area.

**Table 9a. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                              |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |      |      | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|---|------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|------|------|------------------------|--|--|--|---|--|--|--|
| MA/Assessment Area:                     | Total Home Improvement Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |                        |  |  |  |   |  |  |  |
|   | #                            | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp                    |  |  |  |   |  |  |  |
| <b>Full Review:</b>                     |                              |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |      |      |                        |  |  |  |   |  |  |  |
| Harris County AA                        | 0                            | 0.00         | 24.07                | 0.00             | 17.82                     | 0.00             | 18.70                   | 0.00             | 39.40                  | 0.00             | 0.00                    | 0.00 | 0.00 | 0.00                   |  |  |  |   |  |  |  |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated in the MA/AA as a percentage of all home improvement loans originated in the rated area.

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |      |      | Geography: TEXAS STATE |  |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |  |  |  |  |  |  |
|--|-------------------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|------|------|------------------------|--|--|--|---|--|--|--|--|--|--|--|--|--|
| MA/Assessment Area:                            | Total Home Mortgage Refinance Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |                  | Upper-Income Borrowers |                  | Aggregate Lending Data* |      |      |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
|  | #                                   | % of Total** | % Families***        | % BANK Loans**** | % Families***             | % BANK Loans**** | % Families***           | % BANK Loans**** | % Families***          | % BANK Loans**** | Low                     | Mod  | Mid  | Upp                    |  |  |  |   |  |  |  |  |  |  |  |  |  |
| <b>Full Review:</b>                            |                                     |              |                      |                  |                           |                  |                         |                  |                        |                  |                         |      |      |                        |  |  |  |   |  |  |  |  |  |  |  |  |  |
| Harris County AA                               | 1                                   | 100.00       | 24.07                | 0.00             | 17.82                     | 0.00             | 18.70                   | 0.00             | 39.40                  | 100.00           | 0.00                    | 0.00 | 0.00 | 0.00                   |  |  |  |   |  |  |  |  |  |  |  |  |  |

\* Based on Peer Data is not available.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage refinance loans originated in the MA/AA as a percentage of all home mortgage refinance loans originated in the rated area.

**Table11a. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |                                 |              |   |                  |   |                         |                           |                         |                         |
|--|---------------------------------|--------------|---|------------------|---|-------------------------|---------------------------|-------------------------|-------------------------|
| Geography: TEXAS STATE                           |                                 |              |   |                  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                         |                           |                         |                         |
| MA/Assessment Area:                              | Total Small Loans to Businesses |              | Businesses With Revenues of \$1 million or less |                  | Loans by Original Amount Regardless of Business Size    |                         |                           | Aggregate Lending Data* |                         |
|  | #                               | % of Total** | % of Businesses***                              | % BANK Loans**** | \$100,000 or less                                       | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All                     | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                              |                                 |              |   |                  |   |                         |                           |                         |                         |
| Harris County AA                                 | 13                              | 100.00       | 61.90   | 69.23            | 7.69  | 7.69                    | 84.62                     | 0                       | 0                       |

\* Based on Aggregate Small Business Data Only.

\*\* Small loans to businesses originated in the MA/AA as a percentage of all small loans to businesses originated in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 23.08% of small loans to businesses originated and purchased by the bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

| Geographic and Borrower Distribution: CONSUMER LOANS    |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
|---|-------------------------|-------------|------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|--------------------------|-----------------|-----------------------|-----------------|---------------------------|-----------------|-------------------------|-----------------|------------------------|-----------------|
| Geography: TEXAS STATE                                  |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| MA/Assessment Area:                                     | Geographic Distribution |             |                        |                 |                             |                 |                           |                 |                          |                 | Borrower Distribution |                 |                           |                 |                         |                 |                        |                 |
|   | Total Consumer Loans    |             | Low-Income Geographies |                 | Moderate-Income Geographies |                 | Middle-Income Geographies |                 | Upper-Income Geographies |                 | Low-Income Borrowers  |                 | Moderate-Income Borrowers |                 | Middle-Income Borrowers |                 | Upper-Income Borrowers |                 |
|   | #                       | % of Total* | % of Hhlds**           | % of BANK Loans | % of Hhlds**                | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**             | % of BANK Loans | % of Hhlds*           | % of BANK Loans | % of Hhlds**              | % of BANK Loans | % of Hhlds**            | % of BANK Loans | % of Hhlds**           | % of BANK Loans |
| <b>Full Review:</b>                                     |                         |             |                        |                 |                             |                 |                           |                 |                          |                 |                       |                 |                           |                 |                         |                 |                        |                 |
| Harris County AA  | 0                       | 0.00        | 7.38                   | 0.00            | 31.37                       | 0.00            | 30.65                     | 0.00            | 30.60                    | 0.00            | 23.99                 | 0.00            | 17.61                     | 0.00            | 18.34                   | 0.00            | 40.05                  | 0.00            |

\* Consumer loans originated in the MA/AA as a percentage of all consumer loans originated in the rated area.

\*\* Percentage of Households is based on the 2000 Census Information.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS |                           | Geography: TEXAS STATE |                            | Evaluation Period: JANUARY 1, 2003 TO FEBRUARY 23, 2004 |                   |           |            |                        |           |
|-----------------------|---------------------------|------------------------|----------------------------|---|-------------------|-----------|------------|------------------------|-----------|
| MA/Assessment Area:   | Prior Period Investments* |                        | Current Period Investments |   | Total Investments |           |            | Unfunded Commitments** |           |
|                       | #                         | \$(000's)              | #                          | \$(000's)   | #                 | \$(000's) | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>   |                           |                        |                            |   |                   |           |            |                        |           |
| Harris County AA      | 0                         | 0                      | 1                          | 4,874   | 1                 | 4,874     | 100.00     | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                |                    |                                |   |        |      |      |                          |                      |   |     |     |     |                                       |      | Geography: TEXAS STATE |      |  |  | Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003 |  |  |  |
|---|--------------------------------|--------------------|--------------------------------|---|--------|------|------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|------|------------------------|------|--|--|---|--|--|--|
| MA/Assessment Area:   | Deposits                       | Branches           |                                |   |        |      |      | Branch Openings/Closings |                      |   |     |     |     | Population                            |      |                        |      |  |  |   |  |  |  |
|   | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |      |      | # of Branch Openings     | # of Branch Closings | Net change in Location of Branches (+ or -) |     |     |     | % of Population within Each Geography |      |                        |      |  |  |   |  |  |  |
|   |                                |                    |                                | Low   | Mod    | Mid  | Upp  |                          |                      | Low   | Mod | Mid | Upp | Low                                   | Mod  | Mid                    | Upp  |  |  |   |  |  |  |
| <b>Full Review:</b>   |                                |                    |                                |   |        |      |      |                          |                      |   |     |     |     |                                       |      |                        |      |  |  |   |  |  |  |
| Harris County AA  | 100.00                         | 1                  | 100                            | 0.00  | 100.00 | 0.00 | 0.00 | 1                        | 0                    | 0   | 1   | 0   | 0   | 0.00                                  | 0.00 | 0.00                   | 0.00 |  |  |   |  |  |  |

**Harris County AA**

| Demographic Information for Full Scope Area: Harris County AA              |           |            |                                    |               |              |            |
|--|-----------|------------|------------------------------------|---------------|--------------|------------|
| Demographic Characteristics  | #         | Low % of # | Moderate % of #                    | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs)   | 649       | 9.55       | 34.21                              | 27.58         | 27.58        | 1.08       |
| Population by Geography  | 3,400,578 | 8.01       | 33.94                              | 29.23         | 28.75        | 0.07       |
| Owner-Occupied Housing by Geography  | 667,129   | 3.87       | 25.73                              | 30.52         | 39.88        | 0.00       |
| Business by Geography  | 246,241   | 5.84       | 27.94                              | 25.83         | 40.08        | 0.30       |
| Farms by Geography   | 3,655     | 3.17       | 21.81                              | 34.50         | 40.49        | 0.03       |
| Family Distribution by Income Level  | 840,630   | 24.07      | 17.82                              | 18.70         | 39.40        | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 352,201   | 13.74      | 47.49                              | 26.74         | 12.03        | 0.00       |
| Median Family Income   |           | 51,212     | Median Housing Value               |               | 100,639      |            |
| HUD Adjusted Median Family Income for 2003                                 |           | 59,100     | Unemployment Rate (1990 US Census) |               | 3.13%        |            |
| Households Below Poverty Level   |           | 13.09%     |                                    |               |              |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 Census and 2003 HUD updated MFI