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Management	
A Division of Boston Trust & Investment Management Company	

One Beacon Street Boston, MA 02108 Tel: 617.726.7250 Fax: 617.227.3664

www.waldenassetmgmt.com

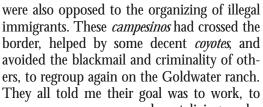
THE FRUITS OF IMMIGRATION

t was nightfall in an orange grove at harvest time in the winter of 1977. I was squatting around a campfire under the trees, talking, or trying to talk in my halting Spanish, to men from Guerrero and Queretaro—illegal immigrant farm workers.

After years of hard work, they had just achieved a silent victory unprecedented in American labor history. Even though undocumented, they and others like them at the campfires around us had successfully negotiated an employment with their contract employer, the man on whose land we dined so casually. the largest landowner in Maricopa County, Arizona—Barry Goldwater. The contract bore terms on a par with or

above those of indigenous farm workers organized by the United Farm Workers.

How could this all have happened? How could men with no legal standing in the United States have entered as equals into a contract with our nation's then most prominent conservative and former Republican Presidential candidate, the Arizona Senator himself? The answers were many, of course, but the heart of the issue was that they had been organized before they crossed the border into the United States by staff of the Maricopa County Organizing Project (and funded in part by the grants program of a small San Francisco foundation I was evaluating). They had overcome the opposition of Mexicans such as the large agribusiness mogul Manny Chavez, and his brother Cesar Chavez, who



earn a decent living under tolerable conditions, with toilets and water and shelter in the fields, to avoid abuse and exploitation, and to return themselves and their earnings at the end of the harvest season to their families in Mexico.

Almost 30 years later, we have advanced in some ways and regressed in others in acknowledging that we are largely a nation of immigrants. But the world is very different now. We have a national security



Give me your tired, your poor...?

interest in secure immigration that we hardly had then. We also have a national political interest in welcoming as new citizens those who have come, not only for economic reasons, but also with a respect and appreciation for the history and reasoning embodied in our Constitution and Bill of Rights. But in some ways we continue to refuse to acknowledge that we have a deep-seated economic, cultural, and political interest in the relatively free flow of immigrants. Likewise, we tend to overlook the work, intellectual capital, and creativity that an immigrant population has always, and somewhat uniquely, provided to this country.

The American economy is growing at a healthy clip today. Much of its recent growth has been artificially funded by the

About Walden Asset Management

Walden Asset Management is the socially responsive investment division of Boston Trust & Investment Management Company. Walden began offering socially responsive investment services in 1975. We are among the largest and most experienced investment managers specializing in services for individual and institutional investors with social concerns.

Contributors:

Stephen Benevento Meredith Benton Elyse Cherry Heidi Harris Stephen Moody Tim Smith Heidi Soumerai

Heidi Soumerai: Editor
Meredith Benton:
Associate Editor
Mark Cushing: Cartoonist
a.k.a. Director of Marketing
Sandy Kendall: Copy Editor
Angela Mark:
Layout, Red Sun Press

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DISASTER RESPONSE

n May 30 The Home Depot's CEO Bob Nardelli was named chair of the Business Roundtable's Partnership for Disaster Response Task Force, created in the aftermath of Hurricane Katrina to help coordinate a private sector response to natural disasters. Who knew that just two days later Nardelli would find himself with his finger in the dyke of a decidedly man-made disaster—the media fury surrounding Home Depot's handling of its shareholder meeting.

The Backdrop. Maybe it was the front page New York Times exposé the day before the annual meeting with the headline, "With Links to Home Depot Board, Chief Saw Pay Soar as Stock Fell," that soured Nardelli's mood. It can't be easy to read more than 3,000 words documenting chummy connections between supposedly independent board members who set your 2005 salary at over \$30 million, a level that many analysts deemed excessive. Or perhaps it was the six-foot-tall chicken parading outside the meeting venue shortly before its opening. Was Nardelli "too chicken" to let shareholders have an opportunity, in an advisory capacity, to approve the report of the Compensation Committee, as proposed in a resolution put forth by AFSCME and AFL-CIO union leadership? Clearly, Nardelli would be facing stockholders with serious concerns about governance, director independence, and executive compensation policies.

The Meeting It was very short. Roughly 35 minutes were consumed to elect directors, ratify the auditors, and address eight shareholder resolutions (including our own, requesting greater disclosure on equal employment opportunity). Most remarkable was what was missing: all Board members except for Nardelli who served as chair, most of senior management, any discussion about the content of the shareholder proposals, a standard business report, a Q&A session, and a preliminary vote tally for each resolution. (Nardelli announced that the proposal requesting majority votes for directors was the only shareholder resolution to pass.) And, contrary to my previous experiences with Home Depot, there weren't many shareholders there either, most likely due to the new meeting location in Delaware. Angry investors, who

were able to claim the mike for a minute or two before being unplugged, were told that this forum was for recording concerns, not responding to them. A self-described conservative Republican who previously had "loved" Home Depot called Nardelli an "automatron" whose "arrogance would kill this company." Oz-like, Nardelli vanished behind a curtain immediately after adjourning the meeting, leaving attendees in disbelief.

The Fallout. The press reaction was swift, unkind, and well deserved. Headlines such as "Home Despot" (*Global Proxywatch*) and "The Board Wore Chicken Suits" (*New York Times*) dotted the media. Morningstar's Stewardship Grade for The Home Depot declined from a C to a D, based in large part on the conduct of the shareholder meeting that its analyst described as "surreal." We, and we assume many others, called upon the board to publicly commit to return to open and respectful communication with shareholders.

The Company Response. Two days later, in a June 1 press release, Home Depot acted quickly to mend its relations with investors and stem the tide of negative publicity. Nardelli stated, "...We listen, learn, and lead—we will return to our traditional format for next year's annual shareholders meeting, which will include a business overview, the presentation of proposals, an opportunity for shareholder questions, and with the board of directors in attendance." Additionally, Home Depot adopted a majority vote policy for directors and announced all the voting results, which demonstrated significant shareholder dissatisfaction. A record breaking 10 of 11 directors received over 30 percent "withhold" votes. Forty percent of shareholders voted for the union-sponsored resolution on approving the Compensation Committee report, and our diversity disclosure resolution garnered 36 percent support—the highest ever for its type at any company.

And Now...Though Home Depot management has rediscovered humility, we know that many underlying issues have yet to be addressed. To fully restore confidence, Home Depot must embrace a new level of accountability to shareholders. At Walden, we plan do our part to encourage movement in that direction. •

—Н. Soumerai

community development investing_

BOSTON COMMUNITY CAPITAL

n 1985, when Boston Community Capital was founded by a group of socially responsible investors, we asked a series of questions:

- Can housing for low-income families and individuals be designed, built, and managed to remain affordable and well-maintained over time, as well as help to strengthen our communities?
- Can distressed inner-city neighborhoods be transformed into thriving and welcoming communities that are home to a diverse population of residents who live there by choice?
- Is debt a useful tool to finance the transformation of inner-city neighborhoods, and can we demonstrate that loan dollars will not only be repaid, but also recycled?

Twenty years later, the answer to those questions is a resounding "yes." Together with our partners, we have invested more than \$235 million to build and preserve healthy communities. We have helped finance affordable homes for more than 8,000 families and individuals. Moreover, because these homes have been carefully maintained and updated, they have helped to transform entire neighborhoods. Our loans and investments have supported the renovation of child care centers, community facilities, and commercial real estate in economically distressed areas, and created quality jobs, goods, and services for low-income people. Our historical loan losses continue to be less than one-tenth of one percent, and all of our lenders have been repaid on time and in full.

Yet, the divide between rich and poor—between those who have access to education and professional advancement and those who do not, between those who can build a stake in the future and those to whom that opportunity is denied—is expanding, not contracting. In today's economic and political land-



A preschooler at a BCC supported Head Start.

scape, we ask new questions:

- How do powerful regional, national, and global trends intersect with community development strategies that are intended to create meaningful and wide-scale economic and social opportunities for low-income people?
- Can we (and should we) expand our services and financing from a focus on organizations to a focus on the unmet needs of individuals?
- By building alliances with new partners in commercial finance, organized labor, education, health and environmental services, and with partners across neighborhood, state, and even national boundaries, can we magnify our impact?

We are using these questions to guide the creation of significant change. Last year, our loans supported the development of 1,329 homes, including homes for first-time homeowners, low-income rental apartments, and supportive housing for low-income seniors. We helped renovate former mills; preserved existing affordable rental housing; and supported the development of new affordable housing. We also launched the Green Building Production Network and announced more than \$2 million in financing to support the development and renovation of more than 800 units of "green" housing.

Our loans also supported nonprofit organizations such as the Media and Technology Charter High School, a public high school preparing Boston students to succeed in college and beyond; and the Cambridge Women's Center, a community organization providing counseling, support, and training for close to 700 women a week.

Together with our partners, including individual and institutional investors like Walden's clients, we are developing strategies that allow us to make loans and investments that other financial institutions are unwilling or unable to provide—and simultaneously create real value for our borrowers and investors. •

—Е. Cherry

Elyse Cherry is the CEO of Boston Community Capital. For more information, call 617-427-8600 or visit www.bostoncommunitycapital.org.



Through our Community Development Investment Service, Walden clients have invested in numerous community development banks, credit unions, and loan funds. We are pleased to include Boston Community Capital in this service.



SOCIAL RESEARCH AND ADVOCACY IN ACTION

omewhat like professional sky divers, or rodeo clowns, our work as shareholder advocates often comes with an adrenaline rush. These occur on the cusp of a breakthrough with a company or when addressing our fellow shareholders at a company's annual general meeting.

On the Cusp

This season we have met with many companies on the brink of modifying their programs or policies to reflect more robust environmental or social planning.

After many years of discussion with Walden and other shareholders, **Wal-Mart** decided to post on its website its full Equal Employment Opportunity data, known as its EEO-1 report, information that nearly all companies are required to collect by law. Wal-Mart's posting places the company in a leadership position for disclosure on this issue.

In the past, we have been pleased to report on the extraordinary leadership that **Colgate Palmolive** has shown in developing comprehensive HIV/AIDS programs in sub-Saharan Africa and throughout Asia. This year Colgate has rolled out programs in Latin America and Central Europe, and expanded initiatives in other regions. Colgate's program focuses on education, prevention, treatment, and local partnerships. We continue to encourage the company to more actively share its work, to provide encouragement and guide others.

Walden initially contacted insurer **Chubb Corporation** a few years ago, hoping to better understand how it is incorporating climate change into its business model. We met with top management again this spring and were delighted to see the extensive thinking the company has done since our first conversations. No longer viewing climate change as something that can be excluded from its insurance policies, it is actively considering how it impacts business, both in existing policies and in the future. Chubb has also agreed to develop a sustainability report that will include a discussion of its climate change policies, along with other social and environmental issues.

Donaldson's CEO William Cook came to visit us in Boston, initially to discuss the company's commitment to equality in the workplace. At our

meeting, we discussed a wide range of additional social and environmental issues and learned more about Donaldson's commendable filtration systems. We were impressed to have the CEO himself follow up, looking for greater insight on the social and environmental issues we had raised.

The story of a company being open to its share-holders repeated itself when we met with top management, and took a plant tour, at the industrial motor manufacturer **Baldor Electric** in Fort Smith, Arkansas. We encouraged the company to look seriously into developing a sustainability report, particularly because of the energy efficiency emphasis of the motors it manufactures. We were also pleased to hear of its recent decision to amend its employment nondiscrimination policy to include sexual orientation.

Dry Mouth at the Annual Meeting

The **Home Depot** annual meeting was one for the history books, and is therefore described in greater detail on page two. Other annual meetings ran along a more traditional course.

We traveled to **Leggett & Platt's** meeting, held in Carthage, Missouri, to present a resolution requesting that the company modify its nondiscrimination policy to include sexual orientation. Although Leggett & Platt has not yet amended its policy, we were heartened by the strong show of investor and employee support, seen both through the 25 percent vote in favor of the resolution and in comments made to us by others in attendance.

In what has become an annual tradition, we again attended **TJX's** annual shareholder meeting. We took this opportunity to pose a few questions to the board and to push the company to respond to the Carbon Disclosure Project (CDP) questionnaire. The CDP is a coordinating body for more than 210 institutional investors that are seeking greater information on corporate planning in response to climate change. However, we primarily attended the TJX meeting to commend the company on the great strides it has made in its vendor standards program. Over the last few years, it has brought on additional staff members, rounded out its supplier code of conduct, and greatly increased its discussion of supply-chain issues on its website. •

— M. Benton

SUMMARY OF WALDEN'S 2006 SHAREHOLDER RESOLUTIONS

Sponsoring shareholder resolutions is one of several options available to investors seeking a voice in company practices. Historically, much of Walden's success in advocating for greater corporate social responsibility has come from constructive dialogues with companies over many years, entirely outside the resolution process. Nonetheless, shareholder resolutions can be an important tool for change, as illustrated in this summary of the 2006 results.

ENVIRONMENTAL IMPACT

Climate Change

We again asked global warming skeptic **ExxonMobil***—an industry outlier—to explain and defend its public position on climate change. The company complied, producing a report entitled "Tomorrow's Energy." While we were pleased that ExxonMobil has moved toward the scientific consensus on climate change, concerns continue that the report expresses doubts about the extent of the human impact on climate change, and does not show the company to be planning for a range of future energy scenarios. Walden was also a signatory to a letter, signed by a number of institutional investors, requesting an in-person meeting with the ExxonMobil board of directors.

Recycling

PepsiCo and **Coca-Cola** have committed to working with their industry group to encourage the adoption of national goals for beverage container recycling. Given these commitments, we withdrew our resolutions at both companies requesting a report on beverage container recovery and recycling efforts.

EQUALITY

Inclusive Non-Discrimination Policies

AmSouth, C.R. Bard, ExxonMobil* and Leggett & Platt were asked to adopt more inclusive employment nondiscrimination policies. C.R. Bard's board discussed the issue and decided to modify its policy to be inclusive of sexual orientation. In its eighth year, the resolution at ExxonMobil was supported by 34 percent of shareholders, 5 percent higher than the previous year. The high vote is a reflection of ExxonMobil's position as one of two remaining Fortune 100 companies without sexual orientation in its nondiscrimination policy, as well as its unique distinction as a firm that removed protections against sexual orientation discrimination for Mobil employees when Exxon and Mobil merged in 1999. 2006 was the first year the resolution was submitted at Leggett & Platt, making the 25 percent vote received at this manufacturing company all the more remarkable. We are disappointed that AmSouth has chosen to withhold the vote totals from the resolution and does not plan to release them until August.

Equal Employment Opportunity (EEO) Disclosure

Resolutions at **Donaldson**, **The Home Depot**, and **Wal-Mart*** asked for diversity reports that include comprehensive EEO statistics as a means to increase accountability with respect to hiring and promoting minorities and women. We withdrew the Donaldson resolution, having received its diversity statistics and having met with top management to discuss diversity programs and policies. Shareholders voted on the Home Depot resolution, delivering an issue-high level of support of about 36 percent, 6 percent higher than in 2005. Wal-Mart, meanwhile, has taken on a leadership role in expanding web-based reporting, posting its comprehensive diversity data on its website, along with explanatory information.

CORPORATE GOVERNANCE

Political Contributions

The **BellSouth*** resolution sought increased company transparency on political contributions. The company is considering, but has not yet committed to greater disclosure. Twelve percent of shareholders voted for this resolution.

SUSTAINABILITY REPORTING

Resolutions at **AT&T**, **Chubb**, and **Illinois Tool Works***, requesting that they prepare sustainability reports detailing their social and environmental programs, policies, and impacts, were withdrawn. AT&T, given its recent merger with SBC, has agreed to produce an interim report and to work toward more robust reporting in the future. Illinois Tool Works has increased the amount of social and environmental reporting on its website and is working toward developing a full report. The insurance company Chubb has committed to developing its first sustainability report and has assigned an internal staffer to lead its efforts. Management also met with investors for an extensive conversation on a range of climate change related issues, including insurance polices, risk models, new business opportunities, and public policy.

^{*}In filing shareholder resolutions, whether as the leading proponent or an active participant, Walden often collaborates with other concerned investors to strengthen our influence on managements. Of the 14 resolutions described above, five were led by other investors (listed in order of appearance in chart): Christian Brothers Investment Service, New York City Employees' Retirement System, Sisters of Charity of St. Elizabeth, Domini Social Investments, and F&C Asset Management.



ESTATE PLANNING - IMPORTANT AND ONGOING

o you cringe at the term *estate planning*? It is easy to associate it with other cheerful terms like *death and taxes*. However, proper estate planning is critical not only for you but for your loved ones, and that is especially so in light of the current political controversy surrounding estate tax laws.

Estate planning is not just about avoiding taxes. It can also provide you with the comfort of knowing that your current and long term asset goals will be achieved. Estate planning is important for *everyone*, regardless of the size of an estate. Estate planning is a continuous process. Major changes in tax laws obviously affect everyone's financial and estate planning situation. But major life changes such as a change in marital status, birth of a child, relocation to a new state, starting a business, or deciding to establish a large charitable contribution plan are all equally important reasons to review your estate plan.

In future editions of *Values*, we hope to offer some insight into key issues to consider when contemplating your estate plan. We will address topics such as:

- •Under what legal title should assets be held?
- •Who should be the beneficiary of your retirement accounts or life insurance policy?
- ◆Why do you need a will?
- What are the benefits and drawbacks of trusts?

Our goal is to raise ideas and get you thinking about your estate plan without delving into the arcane details. As always, we recommend consulting an estate planning professional when deciding to implement any of your planning goals.

Do you know who your IRA beneficiary is? •

-S. Benevento, CFP®



THE FRUITS OF IMMIGRATION continued from page 1

government's deficit spending and the Federal Reserve's easy money, as well as a burst of productivity. We know from economic history, however, that the primary reason for America's long-term economic primacy, and its greatest strength relative to other developed countries, has been its ability to attract extraordinarily talented and highly motivated immigrants, legal and not. Collectively, it is our human capital that is the most essential component of our growth. Not inconsequently, our immigrants will help build the "safety net" for the giant population cohort about to retire.

America's character has always been shaped by its immigrants, and it is the richer for it. In a recent issue of *The Boston Globe*, the front page of the City and Region section displayed a stunning matrix of 38 portraits of each of the valedictorians of all of Boston's high schools, along with their names, personal goals, places of birth, and school affiliations (both chartered and public). Eighteen were born outside of the United States. All but a half dozen were children of color. The largest portion was native born Americans of African descent. Others were from all over the globe, Albania, China, Bangladesh, Uganda, Cape Verde, Haiti, and Venezuela, to name a few.

Globalization generally requires the free, if regulated, flow of goods and services, capital, and labor. For the fruits of globalization to be realized and sustainable, however, the freedom of trade must be accompanied by the freedom to move and to organize, the civil liberties that we assume and that our ancestors fought for. Today an estimated 34 million people in the United States were born outside its borders. Of those, an estimated 11 million people have come here to work without permission or visas, as did most of our ancestors, whether they came by force or in search of a better life.

Of course, the success 30 years ago on that Maricopa land was a consequence of many forces, not the least of which was that the land on which I and the undocumented farm workers were trespassing belonged to Senator Goldwater. Not only was he the leader of the conservative wing of the Republican Party, he was also a man of good will. So the initial success of the precedent-setting contract of the Maricopa County Organizing Project and the farm workers probably depended in part on Senator Goldwater's vulnerability as a national figure. It contains one lesson for the nation's acerbic debate on immigration, however. We will have to accompany our deliberations around immigration and trade with respect and assistance for protecting the economic and human (and environmental) rights for which we have so long fought. The rights and freedom and economic well being of the *compadres* from Guerrero, and others in our own immigrant population, are intrinsically the rights, freedoms, and economic well being of us all. •

—S. Moody

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

n April 27, the New York Stock Exchange witnessed an unusual ringing of its opening bell by Kofi Annan, the Secretary General of the United Nations, and Denise Nappier, the Treasurer of the State of Connecticut. They were there to announce the Principles for Responsible Investment. A year in the making, these groundbreaking Principles were developed by 20 major institutional investors from around the world in conjunction with the United Nations. They are composed of six overarching Principles, underpinned by 35 possible actions for investors who wish to practice responsible investing. The focus of the Principles is more on engaging companies and active proxy voting and less on screening or divestment. Initial signatories invited to support the Principles included large pension funds and investment managers.

Giving credence to the "if you build it they will come" theory, more than 50 institutional investors with an astounding \$4 trillion in assets announced support for the Principles in the first week. While the Principles are voluntary and aspirational, we are very encouraged to see widespread support of the concept that environmental, social, and governance (ESG) factors can affect financial performance. The Principles underscore Walden's belief that ESG analysis is a legitimate consideration in the investment process and a fiduciary responsibility that helps protect shareholder value. In fact, a strong legal founda-

tion supporting the link between ESG evaluation and fiduciary responsibility was established previously in a 2005 legal brief prepared by the renowned international law firm Freshfields Bruckhaus Deringer.

The signatories do not claim to be guided by a passion for environmental protection, social justice, or good governance, but by fiduciary responsibility. Nonetheless, their commitment to communicate with companies about the importance of ESG leadership sends a powerful message to management. While the motives of Walden and other social investors may be more expansive, our collective voices on issues like climate change, director accountability, workplace equality, and labor practices work in tandem. The result: Companies will hear more and more often that investors expect management to step up and step forward on these issues.

ISS, a leading corporate governance services firm, had this to say: "In effect, the Principles for Responsible Investment and this [Freshfields] legal brief are turning conventional thinking about fiduciary prudence on its head. Rather than making exceptions for analyzing the shareholder value impacts of environmental, social, and governance issues, they say, fund managers should make such analysis the rule."

— T. Smith

ANNOUNCEMENTS



Tim Smith and Heidi Soumerai receive the award from Carl Pope, Executive Director of the Sierra Club.

Walden was pleased and honored to receive the American Rights at Work Eleanor Roosevelt Human Rights Award on April 6, 2006. American Rights at Work, a labor rights organization, developed the Eleanor Roosevelt Human Rights Award to recognize those "who use their talents and influence to advance our understanding of workers' rights as a cornerstone of human rights and social justice." Other recipients of the award were: Studs Terkel, Danny Glover, Cingular Wireless, and Tom Morello.

Walden has partnered with CarbonFund.org to offset our carbon footprint. On behalf of our clients, we advocate that companies address greenhouse gas emissions and climate change. It is fair to expect, then, that we take comparable steps. Walden's support of renewable energy, energy efficiency, and sequestration projects though Carbonfund.org will retire 200 tons of $\rm CO_2$.



HANMI FINANCIAL

cutting edge companies

This column highlights companies in the business of providing solutions to social and environmental challenges. Featured companies are typically held in the SmallCap Innovations portfolios offered to Walden clients.

he Korean-American ethnic population grew 54 percent in the 1990s, compared to 13 percent growth for the general population. Continued immigration has led to increased wealth in the Korean-American community as newer immigrants tend to be educated and financially secure. One out of every eight Korean Americans is a business owner, one of the highest rates among ethnic groups. In recognition of these trends, Hanmi Financial Corporation has structured its management team to meet the distinct needs of this demographic group. Nine of 11 board members, and four of five senior executives, are Asian American. According to Hanmi's President and CEO, Dr. Sung Won Sohn, "We understand their culture and way of doing business."

Hanmi Financial Corporation is the holding company for Hanmi Bank, the largest Korean-American run bank in the United States. Hanmi's intimate knowledge of the Korean-American community has driven strong financial performance. As of March 31, 2006, Hanmi Bank had \$3.5 billion total assets and \$2.8 billion in deposits. Over the last 24 years, Hanmi has grown to operate 22 full-service branches that focus on the multi-ethnic populations in Los Angeles, Orange, San Francisco, Santa Clara, and San Diego counties. The branches offer corporate and individual banking services such as commercial and residential real estate loans, checking and savings accounts, and Small Business Association (SBA) guaranteed programs. Hanmi complements these banking services with retirement and education investment programs, as well as insurance products.

Approximately 40 percent of the 2.2 million Korean Americans in this country live in California, where Hanmi has nearly 40 percent market share among Korean-American banks. Approximately half of Hanmi's loans are made to Korean Americans, and 90 percent of its deposits are from Korean Americans. In addition, Hanmi was the 9th largest SBA lender in California in 2005.

Hanmi is also recognized as a community leader. In 2005, Hanmi made \$59 million of low-income housing loans. CANICCOR, a not-for-profit organization with expertise in analysis of bank lending and community reinvestment practices, has determined that Hanmi performs significantly better when compared to its peers in lending to low-to-moderate income borrowers and to people of color. CANICCOR evaluates market share penetration in these communities relative to overall market share, a methodology that Walden believes best determines community reinvestment performance based on available data.

-H. Harris

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