

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**City National Bank
Charter Number: 14695**

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NOTE: This evaluation is not, and should not 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 (LMI) 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 CRA performance of **City National Bank (CNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of January 10, 2000. 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 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company.

A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the CRA performance level of City National Bank with respect to the Lending, Investment, and Service Tests:

Performance Levels	City National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- y Good responsiveness to the communities' needs through a combination of small business loans and a high volume of community development loans.
- y An excellent volume of qualified investments which are responsive to the credit needs of the community, emphasizing the creation of affordable housing.
- y CNB has a substantial volume of community development services addressing affordable housing, small business development, and essential services to LMI persons. The branch distribution is reasonable, given the bank's business focus.

Description of the Institution

City National Bank is a wholly owned subsidiary of City National Corporation. The bank was founded in 1954 and has no other affiliate organizations. CNB is an intrastate bank that began its operations in Los Angeles County and has now expanded throughout Southern California. CNB is a business bank that targets its products and services toward small and medium-sized businesses, high net worth individuals, entrepreneurs, and professionals with an emphasis in the entertainment and real estate industries. The bank offers trust and insurance services, and a variety of ancillary retail products including mortgage loans, consumer loans and credit card products. However, these retail ancillary products are primarily made available to support CNB's business focus, and provide full-service relationships to the targeted customer base.

Since its last CRA examination in November 1997, CNB has grown from approximately \$5 billion in assets and 35 branches to \$7.2 billion in assets with 51 branches and 43 automated teller machines (ATMs). Growth is attributed to an expanded customer base and the acquisitions of Harbor Bancorp and American Pacific State Bank. These acquisitions increased CNB's market presence in Northern Orange County and the Long Beach and San Fernando Valley areas of Los Angeles County. The business focus of the acquired companies was similar to CNB's. Los Angeles County remains CNB's primary assessment area. The bank's loan portfolio includes commercial loans (53%), residential first mortgages (21%), commercial real estate (19%), construction (6%), and consumer loans (1%).

CNB's Tier 1 Capital as of September 30, 1999 was \$428 million. There are no legal, financial or other factors impeding the ability of the bank to meet the credit needs of its assessment areas.

Description of the Assessment Areas

In this section, we describe each of CNB's assessment areas, and the identified credit and community development needs. Appendix B provides basic demographic information for each of the assessment areas. We performed full scope reviews of the Los Angeles, Orange, and Ventura county assessment areas. We performed limited scope examinations of the San Diego County and City of Riverside assessment areas.

CNB's assessment areas meet the requirements of the regulation and do not arbitrarily exclude any LMI geographies. The assessment areas include Los Angeles-Long Beach MSA, Orange County MSA, San Diego County MSA, the City of Riverside, and Ventura County MSA. CNB's assessment areas are highly competitive with numerous banks and other financial service providers vying for business. The largest banks offering business and retail products in the market area are Bank of America, Washington Mutual Bank, Wells Fargo Bank, and Union Bank of California. There are also several mid-sized banks including California Bank and Trust, Imperial Bank, and Sanwa Bank. Credit card banks competing for small business loans include American Express, Mountainwest Financial Corporation, Advanta Financial Corporation, U.S. Bank National Association ND, and MBNA America Bank N.A.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated CNB's performance using Small Business and Home Mortgage data for the period between June 30, 1997 and September 30, 1999. Our assessment period for community development activities and retail banking services was from June 30, 1997 through January 10, 2000. The starting date of the assessment period coincides with the ending date for data considered during the last CRA Performance Evaluation.

Data Integrity

We did not note any material errors in the bank's submission of Small Business or Home Mortgage loans. However, some of the community development activities submitted by the bank either did not qualify or had inadequate information to qualify them. We reviewed all of the community development loans and investments submitted, and sampled community development services. We consider the data disclosed in the Appendix C tables to be reliable.

Selection of Areas for Full-Scope Review

The full-scope assessment areas that we identified include the Los Angeles-Long Beach MSA (Los Angeles MSA), the Orange County MSA, and the Ventura County MSA. We selected the Los Angeles MSA and Orange County MSA because these markets are the largest lending markets for CNB, representing 71% and 12% of the total reported CRA loans, respectively. Their relative shares of the total deposits are 84% (Los Angeles MSA) and 6% (Orange County MSA). We selected Ventura County MSA for a full-scope review because it is representative of the less significant assessment areas, with a lending share of 10%, and deposit share of 4%.

Ratings

Our analysis of CNB's performance is based primarily on the performance in each of the full-scope assessment areas. However, we also considered CNB's performance in the San Diego MSA, and City of Riverside assessment area as reflected in the tables in Appendix C.

Among the full-scope areas, the Los Angeles MSA is most heavily weighted due to the volume of bank deposits, the total amount of CRA reported loans, and the number of branches and ATMs. The Orange County MSA and Ventura County MSA have less weight based on their deposit and lending volumes, and number of branches.

Our evaluation under the Lending Test focuses exclusively on CNB's small business loans and community

development activities. The bank's home mortgage loans are not considered in our rating, as they are accommodation in nature, primarily for existing commercial, entertainment, and trust-service clients.

Other

We conducted four interviews with persons representing community development organizations during this CRA examination. Information from twelve other community organizations (prior contacts) was also reviewed. The organizations are located throughout all of CNB's assessment areas, both full and limited-scope. The community groups and public agencies interviewed were equally divided between economic development providers and affordable housing providers. Below is a summary of the most pressing needs identified within the community.

- The affordable housing providers indicated a need for subsidy funds for first time homebuyers, purchase/rehab loans such as HUD's 203 (k) program, refinancing of loans made by "predatory lenders," and land acquisition loans for future multi-family projects.
- The economic development non-profits expressed a need for investment capital, and capital funding of start-up and emerging small businesses. These small business owners also need training and technical assistance.
- Several non-profits complained about the lack of loans for commercial buildings and community facilities in LMI areas. The non-profits suggested that banks are reluctant to make loans for these purposes, and the few sources that do provide funding have limited resources.

Fair Lending Review

Prior to this CRA evaluation, we conducted a fair lending examination of CNB. We did not identify any evidence of disparate treatment based on our sampled products and prohibited basis. No substantive violations of law were noted. CNB has satisfactory policies and controls in place to help ensure ongoing compliance with the fair lending laws and regulations.

The scope of our examination followed the guidance in the Fair Lending Consumer Compliance Examination Handbook. We sampled home purchase loans, and compared the rates and terms offered to female applicants to those of male applicants. Our sample size was 56% of the control group population (male applicants) and 76% of the prohibited basis group (female applicants).

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "**High Satisfactory**" based on good performance in the full-scope assessment areas of Los Angeles, Orange County, and Ventura. This is based on:

- CNB's good responsiveness to the credit needs of the communities through small business and community development lending.
- An adequate distribution of small business loans by geography, as well as by borrower income level.
- An excellent level of community development lending, with a primary emphasis on the needs of businesses in redevelopment areas.

The rating for the Lending Test is based primarily on CNB's performance in the full-scope assessment areas. The Los Angeles MSA is weighted more heavily in this rating, based on 71% of the CRA reported loans in that area. This compares to 12% of the CRA loans in the Orange County MSA, and 10% for the Ventura MSA. The distribution of deposits among these three full-scope areas is 84%, 6%, and 4%, respectively.

CNB's lending performance for the home mortgage products did not affect our rating under the Lending Test. As noted in the Description of the Institution comment, CNB is a business bank targeting its products and services toward small and medium-size businesses, high net worth individuals, entrepreneurs, and professionals with an emphasis in the entertainment and real estate industries. Although HMDA loans totaled 1,642 for the period, over 90% of these were made as an accommodation to existing commercial, entertainment, and trust clients. The average size of these mortgage loans was over \$500 thousand, with an average loan-to-value of 62%. CNB does not advertise conventional home mortgage loans to the general public. The bank attempts to address the communities' affordable housing needs by purchasing pools of LMI home purchase loans, and through targeted investments as described under the Investment Test.

Lending Activity

(Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.)

Small Business Loans

Our analysis of lending activity focuses on the bank's responsiveness in meeting the credit needs of the community. We analyze the bank's performance by comparing their deposit market share (1998) and rank in the assessment area to their market share and rank of small business loans. A strong correlation between the deposit market share and small business loan market share is desirable.

CNB's performance shows good responsiveness in meeting the small business credit needs of the community. In each of the full-scope areas, the bank's market share of small business loans (dollars) exceeds CNB's deposit market share (dollars). Comparing the market share of the number of small business loans to the deposit market share, performance is adequate, considering the business credit card reporters in the market. Market rank for small business loans is commensurate with the deposit rank in each of the full-scope areas. Finally, the volume of community development loans in the full-scope areas is strong, influencing our analysis of lending activity. Because of differences in performance between the assessment areas, we discuss each full-scope assessment area separately below.

Los Angeles MSA

CNB's small business lending shows good responsiveness to the credit needs in the Los Angeles MSA.

CNB's market share of the small business loans in the Los Angeles MSA was 7.8% (dollar) and 1.5% (number). These percentages are compared to CNB's deposit market share of 2.8% (dollars). The comparison of deposit market share and small business loan market share by dollars is very good. The market share comparison based on the number of small business loans is not as strong. One reason for the difference between the deposit market share and small business market share (number) is the high volume of business credit card loans reported by five credit card operations. The credit card companies account for 38% of the total number of small business loans in the market, with an average size of \$6 thousand.

The correlation between deposit market rank and small business loan market rank shows that CNB is making small business loans commensurate with the deposits drawn from the community. CNB's deposit rank in 1998 for Los Angeles MSA was 9th, compared to their rank among small business lenders as 10th by number of loans, and 4th by dollar volume.

Orange County MSA

The bank's responsiveness to the community's credit needs in the Orange County MSA is good. CNB's small business loan market share was .7% (number) and 4.1% (dollar), compared to a .7% deposit share (dollar). This is a strong correlation. Market rank for small business loans is 17th by number of loans, and 5th by dollar volume. This compares favorably to their deposit rank in the market of 22nd.

Ventura County MSA

CNB's responsiveness to the credit needs of businesses within the Ventura County MSA is excellent. Their small business market share is 3.0% by number and 19.8% by dollar volume. This lending volume is very favorable when compared to the bank's deposit share of 2.4% for this market. Market rank for small business loans was 8th by number of loans and 1st by dollar volume. Again, this is very favorable compared to the deposit market rank of 11th for this market.

Home Mortgage Loans:

As Table 1 shows, CNB originated or purchased 1,642 home mortgage loans during the evaluation period. The two primary products were home purchase loans (35%) and refinance loans (58%). As noted previously, over 90% of these loans are accommodation loans to existing bank customers, and CNB does not market these loans to the general public.

Distribution of Loans by Income Level of the Geography

We did not identify any conspicuous gaps in the bank's small business lending performance. Areas of lesser penetration in the Los Angeles MSA are due to fewer businesses located in the respective geographies.

Small Business Loans

(Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.)

The geographic distribution of small business loans is adequate. We compared the percentage of bank loans in each geographic income category to the percentage of businesses in those geographies. And we considered differences in the bank's 1998 market share by geography compared to their overall market share. A correlation between these ratios is favorable. Our overall conclusion weights the performance in the Los Angeles MSA more heavily based on the percentage of bank deposits and loans in this area. Below, we discuss each assessment area individually due to differences in performance.

Los Angeles MSA

The distribution of the bank's small business loans in Los Angeles County MSA is adequate overall. This is based on good performance in the low-income geographies, and poor performance in moderate-income geographies.

Eight percent of the small business loans are located in low-income geographies, which is good relative to the number of total businesses in these tracts (9%). CNB's overall market share of the small business loans in low-income geographies is also good at 1.5%, which is identical to their overall market share.

However, CNB's small business lending in the moderate-income geographies is poor. Just 11% of the bank's loans are located in these geographies, compared to 19% of the total businesses. In addition, the bank's market share of the small business loans in these geographies was just .9% compared to their overall market share of 1.5%. Partially offsetting this weak performance is the volume of community development loans (\$89.9 million) in the Los Angeles County MSA. Most of these are located in LMI geographies, or redevelopment areas.

Orange County MSA

The bank's geographic distribution of small business loans in the Orange County MSA is good.

CNB's performance in the low-income geographies is adequate. Three percent of CNB's small business loans are located in low-income geographies compared to 4% of the small businesses. Although this is a close correlation, the bank's low-income market share is just .4% compared to their overall market share of .7%.

The distribution of small business loans within moderate-income geographies is good. Twenty-eight percent of the loans are located in moderate-income tracts compared to 28% of the businesses. In addition, the bank's moderate-income market share (1%) compares favorably to the overall market share (.7%).

Ventura County MSA

Small business loan distribution in the Ventura County MSA is excellent.

CNB's performance is strong compared to the business demographic and their relative market share. In low-income geographies, CNB's small business loans represented 5% of the total, compared to 4% of the small businesses. CNB's overall market share for this MSA is 3%, and market share in the low-income geographies was 4.2%.

Performance in the moderate-income geographies is also excellent. Forty-eight percent of the bank's small business loans are located in these geographies, compared to just 30% of the area's businesses. And their market share in the moderate-income geographies is 4.8% compared to the overall share of 3%.

Home Mortgage Loans:

The geographic distribution of home purchase loans reflects the accommodation nature of the loans to the bank's business clientele. Tables 2, 3, and 4 show that CNB made very few mortgage loans in LMI geographies. The exception to this is the \$28 million purchase of affordable home purchase loans, affecting CNB's performance in the moderate-income geographies.

Distribution of Loans by Income Level of the Borrower

Small Business Loans

(Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.)

CNB's distribution of loans based on the income level of the borrower is adequate. In our analysis, we considered the percentage of CNB's small business loans to businesses with annual revenues of \$1 million or less (smaller businesses), compared to both the percentage of smaller businesses, and the performance of other reporting institutions in the market. We also compared the bank's overall market share of small business loans to their market share of loans to the smaller businesses. Finally, we considered the size of

the small business loans compared to the community's need and the market's performance. Like the geographic distribution analysis, a close correlation to the business demographics and market performance is favorable.

Los Angeles MSA

The bank's performance in this market is adequate. CNB made 45% of their small business loans to businesses with annual revenues of \$1 million or less. Compared to the percentage of smaller businesses (75%) in the MSA, this percentage is not favorable. However, the bank's percentage of loans to smaller businesses (45%) is very close to the 1998 market performance of 46%. Another measure of performance is CNB's market share of loans to smaller businesses (1.3%) which is close to their overall market share (1.5%).

Another comparison is the bank's distribution of small business loans by loan size. CNB's distribution of loans under \$100 thousand represents 51%, compared to the market's distribution of 92%. CNB's average loan size for small business loans is \$246 thousand, which far exceeds the market average in 1998 (\$48 thousand). This is primarily due to the business bank focus. Our community contacts confirmed the need for loans of smaller size in the Los Angeles MSA, and the performance of the market demonstrates a demand for these products.

Orange County MSA

CNB's loan distribution by borrower income in the Orange County MSA is poor. Only 34% of the small business loans were to smaller businesses. The percentage of smaller businesses with revenues under \$1 million represent 73% of the total businesses. And the 1998 market performance to smaller businesses was higher at 46%. Although the bank's market share of total small business loans is small at .7% overall, CNB's market share to smaller businesses is lower at .5%. Each of these factors demonstrate poor performance in this characteristic.

CNB's average small business loan size in the Orange County MSA is \$287 thousand, compared to the market average of \$48 thousand. And the distribution of small business loans by loan size is 43% under \$100 thousand, compared to the market's 91%.

Ventura County MSA

The loan distribution by borrower income in the Ventura County MSA is adequate. The percentage of loans to the smaller businesses is just 42% compared to the business demographic of 76%, and the market's performance of 49%. Similarly, the bank's market share loans to smaller businesses is 2.2%, which is less than their overall market share of small business loans (3%).

Average loan size is again a factor at \$230 thousand, compared to the 1998 market average of \$35 thousand. The distribution of small business loans by size shows 54% under \$100 thousand, compared to the market distribution of 94%.

Home Mortgage Loans:

The distribution of home purchase loans by borrower income again reflects the accommodation nature of the majority of the loans. The purchased pool of mortgage loans (\$28 million) had a positive affect on the distribution of loans to moderate-income borrowers. But the accommodation loans are primarily to business clients in the upper-income range. As noted previously, the average size of the mortgage loans is over \$500 thousand, with an average loan-to-value of 62%.

Lending Inside Versus Outside of the Assessment Areas

The vast majority of CNB's small business and community development loans are located within the bank's assessment areas. By number, 93% of the small business loans and 91% of the HMDA loans are located within the bank's assessment areas.

Community Development Lending

City National Bank's community development lending is excellent. The loans are very responsive to credit needs within their communities, primarily through business development in areas locally targeted for redevelopment. The bank did not submit any community development loans considered innovative or complex.

Community development loans that qualify based on criteria other than "promote economic development" total \$78 million, and include 23 loans. This is a significant dollar volume, representing 18% of the bank's Tier 1 Capital. We also consider these community development loans more responsive to the communities' credit needs based on their revitalizing or stabilizing LMI geographies, creation of affordable housing, or providing essential services to LMI persons.

Sixteen community development loans that qualify under the "economic development" test total \$51 million, and represent an additional 12% of Tier 1 Capital. The two-part test under this criteria includes a size and purpose test. Each of the 16 loans meets the SBA's size eligibility guidelines referenced in the CRA regulation. The purpose test is also met because the loans are located either in LMI geographies or areas targeted for redevelopment, and they created, retained, or improved permanent jobs.

In evaluating the volume of community development lending in each of the bank's five assessment areas, we compare the dollar volume to the allocated capital for the assessment area. The Tier 1 Capital is allocated based on the percentage of bank deposits located in each assessment area. This analysis gives us a clearer picture of the bank's community development performance relative to the area deposits.

In the Los Angeles MSA assessment area, the dollar volume of community development lending is excellent at \$90 million, which represents 25% of the allocated Tier 1 Capital. The community development lending activities include one loan for \$2 million to support the development of affordable housing; nine loans totaling \$16.5 million to provide medical and social services to LMI individuals; six loans totaling \$24.9 million that revitalize or stabilize LMI geographies; and 14 loans totaling \$46.6 million to businesses that promote

economic development. The following are examples of community development loans that target LMI neighborhoods or individuals:

- The bank provided \$8.7 million in financing for a major redevelopment project in a predominantly LMI neighborhood in the City of Covina. The project is a shopping center that will be anchored by large grocery and department stores, and will provide essential services to the community. It will contain over 100,000 square feet of retail space when completed. In recent years, the shopping center and surrounding neighborhood had deteriorated with the past closure of anchor stores and smaller retail shops.
- The bank provided \$2 million in financing to a borrower to acquire an 83-unit apartment building for low-income tenants, in which the rents are subsidized through the HUD Section 8 program. The building is located in a section of Hollywood that is targeted for redevelopment.
- The bank provides \$5.9 million in working capital and permanent financing to a nursing and convalescent home provider. The nursing facilities, with approximately 3,500 beds, provide essential services to mostly LMI individuals throughout the Los Angeles area.

In the Orange County MSA assessment area, the dollar volume of community development lending is also excellent at \$27.7 million, which represents more than 108 % of the allocated Tier 1 Capital. The community development lending activities included three loans, totaling \$9.2 million to support the development of affordable housing; one loan for \$13.8 million that helps to revitalize and stabilize a LMI area; and two loans, totaling \$4.8 million, to businesses that promote economic development. The following are examples of community development loans that provide affordable housing to LMI individuals in Orange County:

- CNB provided \$7.6 million in financing to a company to acquire a 199-unit apartment building in Santa Anna. The tenants are senior citizens and all rents are subsidized through the HUD Section 8 program.
- The bank provided \$1.5 million in revolving working capital lines of credit to a company that purchases and rehabilitates single family residences in Orange County. The homes are then sold to LMI families. In 1997, the company had rehabilitated 14 homes. In 1998, the financing allowed the company to rehabilitate and sell 35 homes.

In the Ventura County MSA, community development lending is good. The bank originated two community development loans totaling \$771 thousand, which represents 5% of the allocated Tier 1 Capital. These loans were to two non-profit agencies that provide essential services to the severely disabled, abused children, homeless youth, and battered women. A majority of the clients are LMI individuals.

Conclusions for Areas Receiving Limited Scope Reviews:

Based on the limited-scope reviews, the bank's performance in the San Diego and the City of Riverside assessment areas is not inconsistent with the performance in the full-scope areas. The performance in

the limited-scope assessment areas did not have a material affect on the Lending Test rating. Refer to the Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "**Outstanding**." Based on full-scope reviews, the bank's performance in the Los Angeles, Orange and Ventura MSAs is excellent.

(Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.)

The volume of investments is high in relation to the bank's capitalization and the responsiveness to the most pressing needs of the community is very good. The bank's investments include \$69 million dollars invested in the broader statewide or regional areas that include the bank's assessment areas. The majority of invested funds, \$51 million, are specifically invested in the bank's assessment areas. While the volume of investments is high, the investments are generally not complex and few are innovative. CNB did not assume a leadership role in the development of these products.

Dollar amount of qualified investments

CNB's overall volume of investment is excellent based on the high dollar volume in each of the full-scope assessment areas. In evaluating the volume of investments, we allocated the bank's Tier 1 Capital among assessment areas based on the distribution of deposits in the state of California. CNB has a high level of qualified investments that benefit the assessment areas. In the Los Angeles assessment area, the volume of qualified investments is excellent, representing 10.6% of the allocated Tier 1 Capital. In the Orange and Ventura assessment areas, volumes are also excellent, representing 50.6% and 32.3% of the allocated Tier 1 Capital, respectively. A substantial majority of the investments were made during the current evaluation period.

Responsiveness of qualified investments to credit and community development needs

The bank's assessment areas contain a number and variety of community development investment opportunities, and there are numerous financial institutions competing for these investments. The bank displays very good responsiveness to community development and credit needs, particularly the need for affordable housing. CNB made substantial investments in mortgage-backed securities and tax credit investments. Below are details of three investments by CNB.

- Targeted mortgage-backed securities: CNB has over \$44 million outstanding in mortgage-backed securities, with \$33 million purchased during the evaluation period. The majority of home mortgage loans collateralizing these securities are to LMI borrowers. Securities purchased during the evaluation period financed over 150 mortgages to LMI borrowers.
- Affordable housing partnerships: The bank's limited partnership interests provide equity used by the partnerships to invest in a number of affordable housing projects across the country. Of the \$45 million invested by CNB, \$1.6 million was used for projects in the assessment areas, and almost \$18 million

are in the State of California.

- Equity fund partnership: CNB provided \$1.5 million to this fund during the evaluation period. This is in addition to \$2.3 million provided in prior years, which is still outstanding. The fund purchases state and federal low-income housing tax credits from non-profit developers. The fund has been involved in building over 120 developments and creating 6,000 low-income housing units throughout California.

Conclusions for Area Receiving Limited-Scope Reviews

The bank's performance under the Investment Test in the limited-scope areas is not inconsistent with their performance in the full-scope areas. Qualified investments in the San Diego MSA are 214% of the allocated Tier 1 Capital, and 13.6% in the City of Riverside. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated **"High Satisfactory."** This is primarily based on performance in the full-scope assessment areas, with performance in the Los Angeles MSA weighted most heavily.

- CNB provides a high volume of community development services that are very responsive to the communities' needs.
- The distribution of branches is reasonable, considering the bank's primary business focus. CNB provides banking services that are accessible to geographies and individuals of different income levels in its assessment areas.
- Branch openings and closings did not adversely affect the accessibility of the bank's delivery systems.

Retail Banking Services

Please refer to Table 13 in appendix C for the facts and data used to evaluate the distribution of the bank's branch and Automated Teller Machines (ATMs).

Our analysis of the retail banking services considers the business focus of the bank, rather than a provider of retail mortgage and consumer products. CNB has 51 branches located throughout the assessment areas. These branches show reasonable distribution among LMI geographies.

Sixty-nine percent of the branches are located in the bank's primary assessment area, the Los Angeles County MSA. The branch distribution in low-income areas is very good, with 11% of the branches compared to 9% of the population and 9.3% of total businesses in these geographies. Branch distribution in moderate-income tracts is poor with 8.6% of branches in these locations compared to 27% of the population and businesses.

In the Orange County and Ventura County MSAs, the branch distribution is reasonable, though the total branches account for just 18% of the total. In each area, CNB does not have branches located in low-income geographies, but the relative population and businesses in these areas is less. In the moderate-income geographies, there is a closer correlation to the population and number of businesses.

CNB's record of opening and closing branches is satisfactory, with limited adverse impact on LMI individuals or areas. Since the last CRA examination in November 1997, the bank acquired fourteen branches through bank acquisitions and mergers, and opened six branches. Eleven percent of these were located in moderate-income geographies, 42% in middle-income, and 47% upper-income. Of the nine branches closed or relocated during the same period, 22% were located in moderate-income geographies, 22% in middle-income, 45% upper-income, and 11% in geographies without reportable income. For the

two closed branches in moderate-income geographies, one was unprofitable and sold to another bank and the second was relocated one mile away, and continues to serve the community.

Although the bank offers a variety of delivery systems for their products and services, these are not specifically targeted to LMI persons or communities. Branch hours and services are consistent among the branch locations.

Community Development Services

CNB provides a good level of community development services that are very responsive to the community development needs in the full-scope assessment areas. CNB management encourages employee involvement, and bank personnel played an active role in thirty-one community development organizations, totaling over fifteen hundred hours in 1999.

In the Los Angeles MSA, employees were involved in twenty-three community development organizations, 52% of which promoted affordable housing, 39% were related to small business development, and 9% provided essential services to LMI persons. On average, eleven hundred hours per year were dedicated to these organizations. Examples of bank participation include:

- A Community Development Corporation (CDC) providing business assistance, entrepreneurial training, career development, child care development, vocational rehabilitation and affordable housing to LMI individuals. Since inception, the CDC has assisted several hundred start-up businesses, and provided over 5,000 individuals with permanent employment. Two bank employees work with programs supporting homebuyer education and loan originations. Another employee assists in fund raising activities.
- A non-profit investment banking organization committed to the revitalization and long-term support of under-served communities. This CDC provides educational seminars, credit and financial planning, technical assistance in obtaining small business loans, mini-grants to start-up businesses, and first-time homebuyer assistance. Four bank employees work with the CDC in various ways, including serving on the board of directors and the executive committee, participating in the “Banking on the Future” classrooms, and assisting with homebuyer education and loan origination.

CNB provides a good level of community development services within the Orange County MSA. Bank employees were involved in five affordable housing and one small business organizations, and volunteered 289 hours per year. Examples of bank participation include:

- A small business development corporation which focuses on offering micro-loans to small businesses located in LMI areas and within Enterprise communities. One employee serves on the board of directors and the loan committee. In addition, the bank made an equity investment of \$23 thousand and has made \$235 thousand in loan pool commitments.
- A non-profit CDC that makes home loans available in low-income target areas. A “Family Fund” is used to help first-time homebuyers. One CNB employee is chairperson of the Education Committee responsible for developing and teaching a first-time homebuyer education seminar providing credit

counseling and financial planning to LMI individuals.

CNB provides an adequate level of community services within the Ventura County MSA. Bank employees are involved in one affordable housing and one essential service organization, volunteering over 50 hours per year.

Conclusions for Areas Receiving Limited-Scope Reviews.

Based on the limited-scope reviews, CNB's performance under the Service Test in the San Diego and the City of Riverside assessment areas is not inconsistent with the bank's overall performance under the Service Test. Refer to Table 13 in Appendix C for the facts and data that support this conclusion.

Only seven of the bank's branches (14%) are located in the limited-scope areas, and these are distributed between the moderate and upper-income geographies.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

Time Period Reviewed	Lending Test: June 30, 1997 to September 30, 1999 Investment Test: June 30, 1997 to January 10, 2000 Service Test: June 30, 1997 to January 10, 2000	
Financial Institution:	Products Reviewed:	
City National Bank (CNB) Headquartered in Beverly Hills, CA.	Small Business loans, Community Development loans, and Residential mortgage (HMDA),	
Affiliate(s):	Affiliate Relationship	Products Reviewed
Not applicable (N.A.)	N.A.	N.A.
List of Assessment Areas and Type of Examination:		
Assessment Area	Type of Exam	Other Information
Los Angeles- Long Beach, CA (MSA #4480) Orange County, CA (MSA #5945) Ventura County, CA (MSA #8735) San Diego County, CA (MSA #7320) City of Riverside, CA (MSA #6780)	Full-scope Full-scope Full-scope Limited-scope Limited-scope	None.

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Los Angeles- Long Beach, CA MSA.....	B-2
Orange County, CA MSA	B-4
Ventura County, CA MSA	B-5

Los Angeles- Long Beach, CA MSA

Demographic Information for Full-Scope Area: (Los Angeles-Long Beach, CA MSA)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	1,652	8.90	22.82	32.93	34.20	1.15
Population by Geography	8,863,164	9.02	26.69	33.93	30.17	.19
Owner-Occupied Housing by Geography	1,440,864	2.34	14.25	34.73	48.68	.00
Businesses by Geography	350,001	9.30	19.40	33.46	37.53	.31
Farms by Geography	3,092	2.91	12.16	37.65	47.09	.19
Family Distribution by Income Level	2,036,103	22.82	16.85	19.70	40.63	.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	807,668	15.16	37.51	32.47	14.86	.00
Median Family Income HUD Adjusted Median Family Income for 1999 Households Below the Poverty Level	= \$39,305 = \$51,300 = 11.87%	Median Housing Value Unemployment Rate (1990)		= \$223,825 = 4.94%		

Source: 1990 U.S. Census and 1999 HUD updated MFI.

CNB's largest assessment area is the Los Angeles MSA. The location of the bank's main office and the foundation of its customer base is in Los Angeles County. The area provides the bank with 71% of its loan portfolio and 84% of its deposits. CNB is the sixth largest institution in the area, with 35 branches and 28 ATMs. The bank has a 2.8% share of the market's deposits. 1998 small business lending data ranks CNB fourth in lending (dollars) to small businesses with a 7.7% market share (dollars). Competition is strong with 255 institutions in the area competing for deposits and loans.

The Los Angeles MSA is a complex, highly diverse urban area that includes eighty cities and a number of unincorporated areas. The city of Los Angeles, with a 1997 estimated population of 3.7 million is the county's largest city and the second largest city in the country. There are over 80 separate languages and dialects spoken in the area presenting challenges for financial service providers in meeting the needs of large immigrant populations.

The county has 1,652 tracts. Census data as of 1990 showed a median housing value of \$224 thousand, with only 46% of the housing units owner-occupied. The median family income for 1999 was just over \$51 thousand.

In the late eighties and early nineties, structural changes in the economy, natural disasters, and other events combined to undermine the area's general prosperity. Defense spending cuts caused substantial reductions in aerospace and defense manufacturing jobs; the motion picture production industry lost business opportunities as a result of concessions from other states and Canada; and a major civil disturbance in 1992 followed by the 1994 Northridge Earthquake further aggravated business and community problems. Despite federal and state assistance, many of the businesses destroyed during the disturbances and the earthquake never reopened. Thousands of area jobs were lost during this period. However, two of the strongest contributors to the area's economy, the Ports of Los Angeles and Long Beach remained viable during the economic decline. The ports are part of the largest publicly owned domestic port complex in the nation.

The Los Angeles economy has now rebounded and the rate of unemployment has declined. However, 1998 unemployment in the county (6.5%) remained higher than the State and National average. Los Angeles' largest industries are services, retail trade, finance, insurance, and real estate. Dunn and Bradstreet (D&B) business demographic data for 1999 shows that 75% of the businesses and farms located within the MSA have annual revenues of less than \$1 million.

Community Contacts were made with several non-profits in the area that participate in both small business/economic development loans and residential/multi-unit housing loans. Area needs include start-up and micro-loans for small businesses, training and technical assistance for small business owners, first time homebuyer subsidies, purchase/rehab loans and refinance loans. Operational funding for the non-profits is an ongoing need.

Orange County, CA MSA

Demographic Information for Full-Scope Area: (Orange County, CA MSA)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	484	2.89	24.38	44.01	27.48	1.24
Population by Geography	2,410,556	3.61	26.73	42.01	27.64	.00
Owner-Occupied Housing by Geography	496,824	.77	17.19	45.08	36.96	.00
Businesses by Geography	124,137	4.14	27.57	39.04	24.17	5.08
Farms by Geography	1,653	2.72	22.50	44.22	29.10	1.45
Family Distribution by Income Level	590,490	18.65	19.00	23.57	38.78	.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	222,341	5.61	37.24	41.92	15.24	.00
Median Family Income HUD Adjusted Median Family Income for (1999) Households Below the Poverty Level	= \$51,269 = \$68,300 = 6.08%	Median Housing Value Unemployment Rate (1990)		= \$250,342 = 3.47%		

Source: 1990 U.S. Census and 1999 HUD updated MFI.

The Orange County MSA is CNB's second largest assessment area. It includes 16 cities and various unincorporated areas. HUD data for 1995 indicated that at 2.4 million, Orange County was the fifth most populous county in the United States. CNB has five branches and five ATMs in the assessment area, providing the bank with 6% of its deposits and 12% of its loans. The bank has a .7% share of the area deposits. The bank ranks fifth in loans (dollars) to small businesses with a 4.1% market share. CNB competes with 168 institutions for area deposits and loans.

The MSA includes 484 tracts. Census data showed that the 1990 median housing value was over \$250 thousand. Fifty-seven percent of housing units were owner occupied and 38% were renter occupied. The HUD adjusted median family income for 1999 was over \$68 thousand.

The county's economy declined during the early 1990's for multiple reasons including the recession and a county bankruptcy. Downsizing in the aerospace and defense industries caused job losses and a decline in real estate values. The economy has rebounded and at 2.9% in 1998, unemployment was well below the state average. D&B 1999 data shows that companies with revenues under \$1 million represented 73% of total businesses. Major industries are services, retail trade and finance, insurance, and real estate. Income levels are higher than neighboring counties (114% of the state average in 1996).

Community contacts for the area revealed a need for all types of affordable housing. Other needs include

micro-loans for startups and emerging small businesses.

Ventura County, CA MSA

Demographic Information for Full-Scope Area: Ventura County, CA. MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	130	3.08	30.00	44.62	21.54	0.77
Population by Geography	669,016	2.58	29.32	45.01	23.10	0
Owner-Occupied Housing by Geography	142,262	0.85	20.59	48.04	30.51	0
Businesses by Geography	27,030	3.94	29.80	46.53	19.73	0
Farms by Geography	929	1.29	36.71	46.93	15.07	0
Family Distribution by Income Level	166,925	18.41	18.90	25.20	37.49	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	62,283	3.99	41.18	42.54	12.30	0
Median Family Income =		Median Housing Value =				\$243,504
HUD Adjusted Median Family Income for (1999) =	\$50,103	Unemployment Rate (1990) =				3.34%
Households Below the Poverty Level =	\$65,300					
	5.68%					

Source: 1990 U.S. Census and 1999 HUD updated MFI.

The Ventura County MSA is CNB's third largest assessment area and is located northwest of Los Angeles County. CNB has four branches and four ATMs in the area, providing the bank with 4% of its deposits and 10% of its loans. CNB ranks first in small business lending (dollars) in the county, with a 19.7% market share. As of June 1998, CNB's deposit market share was 2.4%. There are 82 institutions in this market.

The MSA includes 130 tracts. Median housing values were over \$243 thousand in 1990, and 62% of the housing units were owner occupied. Median family income for 1999 was over \$65 thousand.

The county's population increased 7% to 717 thousand from 1990-1997. The most populous cities are Oxnard, Thousand Oaks, Simi Valley, and Ventura. Most economic activities are centered in the southern part of the county. The area has emerged as a technology industry hub.

D&B data dated 1999 shows that 76% of area businesses had revenues of less than \$1 million dollars. Agriculture is the leading industry and Ventura County ranks tenth in agricultural production among California counties. Other major industries are services, retail trade and finance, insurance and real estate. The largest civilian employers in the area are the military bases and the harbor at Port Hueneme. The port is a foreign trade zone and is the only deep-water port between Los Angeles and San Francisco.

Our community contacts indicated the need for homebuyer education classes, single family and multi-family loans, multi-family predevelopment loans, and micro-loans for startup or at-home businesses. There was

also a need for recoverable grants for land acquisition and soft costs for affordable housing developments.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (<\$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (<\$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations** - See Table 7.
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations** - See Table 7.
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (<\$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (<\$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.
- Table 13. Distribution of Branch and ATM Delivery System** - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.
- Table 14. Geographic and Borrower Distribution of Consumer Loan Originations (OPTIONAL)**
- For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME												Evaluation Period: 06/30/1997 TO 09/30/1999											
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)											
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)												
Full Scope:																							
Los Angeles- Long Beach, CA MSA	84	1,112	595,075	4,332	997,447	0	0	30	89,970	5,474	1,682,492	70.93											
Orange County, CA MSA	6	271	99,394	635	175,849	0	0	5	27,700	911	302,943	11.81%											
Ventura, CA MSA	4	113	35,892	661	130,515	6	1,062	2	771	782	168,240	10.14%											
Limited Scope:																							
Riverside-San Bernadino County MSA, City of Riverside AA	5	43	8,619	222	35,796	0	0	0	0	265	44,415	3.45%											
San Diego, CA MSA	1	103	36,474	177	46,469	0	0	2	11,075	282	94,018	3.66%											

* Deposit Data as of June 30, 1998

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE																Evaluation Period: 06/30/1997 TO 09/30/1999	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans		
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope:																	
Los Angeles- Long Beach, CA MSA	2	1	1415	10	35	10	48	78	124	0.1	0.0	0.1	0.0	0.2	432	65	
Orange County, CA MSA	1	4	17	34	45	16	37	46	153	0.1	0.1	0.1	0.0	0.1	125	19	
Ventura, CA MSA	1	0	21	19	48	38	31	44	95	0.1	0.0	0.1	0.1	0.1	48	7	
Limited Scope:																	
Riverside-San Bernardino County MSA, City of Riverside AA	0	0	10	29	63	7	28	64	104	0.1	0.0	0.0	0.0	0.4	14	2	
San Diego, CA MSA	2	7	13	22	49	11	36	60	157	0.0	0.2	0.1	0.0	0.0	45	7	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Home purchase loans within an MSA/AA as a % of all home purchase loans in the rating area.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT																Evaluation Period: 06/30/1997 TO 09/30/1999	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Improvement Loans		
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope:																	
Los Angeles- Long Beach, CA MSA	2	3	14	6	35	13	48	78	62	0.1	0.1	0.0	0.0	0.2	32	71	
Orange County, CA MSA	1	0	17	0	45	11	37	89	74	0.1	0.0	0.0	0.0	0.3	9	20	
Ventura, CA MSA	1	0	21	0	48	67	31	33	64	0.1	0.0	0.0	0.3	0.0	3	7	
Limited Scope:																	
Riverside-San Bernadino County MSA, City of Riverside AA	0	0	10	0	63	100	28	0	70	0.2	0.0	0.0	0.4	0.0	1	2	
San Diego, CA MSA	2	0	13	0	49	0	36	0	0	0.0	0.0	0.0	0.0	0.0	0	0	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE																Evaluation Period: 06/30/1997 TO 09/30/1999	
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Mortgage Refinance Loans		
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
Full Scope:																	
Los Angeles- Long Beach, CA MSA	2	0	15	3	35	6	48	91	103	0.1	0.1	0.1	0.0	0.2	646	69	
Orange County, CA MSA	1	0	17	10	45	28	37	63	150	0.1	0.0	0.1	0.0	0.1	136	15	
Ventura, CA MSA	1	3	21	10	48	32	31	55	108	0.1	1.0	0.1	0.1	0.1	62	7	
Limited Scope:																	
Riverside-San Bernadino County MSA, City of Riverside AA	0	0	10	7	63	25	28	68	80	0.3	0.0	0.4	0.0	0.7	28	3	
San Diego, CA MSA	2	3	13	17	49	12	36	67	229	0.0	0.1	0.1	0.0	0.0	58	6	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL BUSINESS																
Evaluation Period: 06/30/1997 TO 09/30/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope:																
Los Angeles- Long Beach, CA MSA	9	8	19	11	34	23	38	58	10	1.5	1.5	0.9	1.1	2.2	4,332	72
Orange County, CA MSA	4	3	28	28	39	35	24	23	17	0.7	0.4	1.0	0.6	0.5	635	11
Ventura, CA MSA	4	5	30	48	47	30	20	17	8	3.0	4.2	4.8	2.4	2.1	661	11
Limited Scope:																
Riverside-San Bernadino County MSA, City of Riverside AA	0	0	28	42	57	40	15	18	12	1.4	0.0	2.2	1.2	1.1	222	4
San Diego, CA MSA	4	2	24	23	44	37	28	37	25	0.2	0.1	0.1	0.2	0.3	177	3

* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

** Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL FARM																
Evaluation Period: 06/30/1997 TO 09/30/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Loans Small Farm Loans	
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope:																
Los Angeles- Long Beach, CA MSA	3	0	12	0	38	0	47	0	249	0.0	0.0	0.0	0.0	0.0	0	0
Orange County, CA MSA	3	0	23	0	44	0	29	0	NA	0.0	0.0	0.0	0.0	0.0	0	0
Ventura, CA MSA	1	0	37	100	47	0	15	0	8	7.7	0.0	25.0	0.0	0.0	6	100
Limited Scope:																
Riverside-San Bernadino County MSA, City of Riverside AA	1	0	21	0	58	0	20	0	NA	0.0	0.0	0.0	0.0	0.0	0	0
San Diego, CA MSA	1	0	16	0	48	0	35	0	NA	0.0	0.0	0.0	0.0	0.0	0	0

* Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

** Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HMDA HOME PURCHASE																
Evaluation Period: 06/30/1997 TO 09/30/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope:																
Los Angeles- Long Beach, CA MSA	23	2	17	11	20	3	41	84	124	0.1	0.0	0.1	0.0	0.2	432	65
Orange County, CA MSA	19	7	19	36	24	2	39	55	153	0.1	0.0	0.0	0.0	0.1	125	19
Ventura, CA MSA	18	5	19	14	25	0	37	81	95	0.1	0.0	0.1	0.0	0.2	48	7
Limited Scope:																
Riverside-San Bernardino County MSA, City of Riverside AA	18	0	17	29	22	0	42	71	104	0.1	0.0	0.0	0.0	0.5	14	2
San Diego, CA MSA	20	15	19	18	22	6	39	61	157	0.0	0.0	0.0	0.0	0.0	45	7

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT																Evaluation Period: 06/30/1997 TO 09/30/1999	
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*					Total Home Improvement Loans		
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total	
Full Scope:																	
Los Angeles- Long Beach, CA MSA	23	0	17	7	20	10	41	83	62	0.1	0.0	0.0	0.0	0.2	32	71	
Orange County, CA MSA	19	0	19	11	24	33	39	56	74	0.1	0.0	0.0	0.2	0.2	9	20	
Ventura, CA MSA	18	0	19	0	25	0	37	100	64	0.1	0.0	0.0	0.0	0.3	3	7	
Limited Scope:																	
Riverside-San Bernadino County MSA, City of Riverside AA	18	0	17	0	22	0	42	100	70	0.2	0.0	0.0	0.0	0.4	1	2	
San Diego, CA MSA	20	0	19	0	22	0	39	0	0	0.0	0.0	0.0	0.0	0.0	0	0	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE																Evaluation Period: 06/30/1997 TO 09/30/1999	
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*					Total Loans		
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total	
Full Scope:																	
Los Angeles- Long Beach, CA MSA	23	1	17	1	20	2	41	96	103	0.1	0.0	0.0	0.0	0.3	646	69	
Orange County, CA MSA	19	1	19	3	24	8	39	88	150	0.1	0.0	0.0	0.0	0.1	136	15	
Ventura, CA MSA	18	2	19	6	25	7	37	84	108	0.1	0.1	0.0	0.0	0.2	62	7	
Limited Scope:																	
Riverside-San Bernadino County MSA, City of Riverside AA	18	3	17	7	22	11	42	79	80	0.3	0.0	0.4	0.1	0.7	28	3	
San Diego, CA MSA	20	2	19	0	22	5	39	93	229	0.0	0.0	0.0	0.0	0.0	58	6	

* Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL BUSINESS										Evaluation Period: 06/30/1997 TO 09/30/1999	
MSA/Assessment Area	Businesses With Revenues of \$1 million or less			% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*		Total Small Business Loans		
	% Business**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$ 1 Million or Less	#	% of Total	
Full Scope											
Los Angeles- Long Beach, CA MSA	75	45	46	51	20	29	1.5	1.3	4,332	71	
Orange County, CA MSA	73	34	46	43	22	35	0.7	0.5	635	11	
Ventura, CA MSA	76	42	49	54	22	24	3.0	2.2	661	11	
Limited Scope:											
Riverside-San Bernardino County MSA, City of Riverside AA	71	47	47	60	19	21	1.4	1.5	222	4	
San Diego, CA MSA	74	42	48	43	23	34	0.2	0.1	177	3	

* The market consists of all other Small Business reporters in CNB's assessment area and is based on 1998 Aggregate Small Business Data only

** Businesses with revenues of \$1 million or less as a percentage of all businesses.

*** Loans to businesses with revenues of \$1 million or less as a percentage of loans with revenue information available. No revenue information was available for 19% of small loans to businesses reported by the CNB.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL FARM										
Evaluation Period: 06/30/1997 TO 09/30/1999										
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less			% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans	
	% Farms**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope:										
Los Angeles- Long Beach, CA MSA	91	0	67	0	0	0	0.0	0.0	0	0
Orange County, CA MSA	87	0	77	0	0	0	0.0	0.0	0	0
Ventura, CA MSA	82	0	23	50	17	33	7.7	0.0	6	0
Limited Scope:										
Riverside-San Bernadino County MSA, City of Riverside AA	83	1	38	0	0	0	0.0	0.0	0	0
San Diego, CA MSA	88	0	43	0	0	0	0.0	0.0	0	0

* The market consists of all other Small Farm reporters in CNB's assessment area and is based on 1998 Aggregate Small Business Data only

** As a Percentage of Farms with known revenues.

*** As a percentage of loans with borrower income information available.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS									
Evaluation Period: 06/30/1997 TO 01/10/2000									
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Scope:									
Los Angeles- Long Beach, CA MSA	63	7,870	118	30,354	181	38,224	50%	0	0
Orange County, CA MSA	2	1,922	18	11,085	20	13,007	21%	0	0
Ventura, CA MSA	0	534	20	4,990	24	5,525	5%	0	0
Limited Scope:									
Riverside-San Bernadino County MSA, City of Riverside AA	0	1,018	14	1,888	16	2,906	15%	0	0
San Diego, CA MSA	0	2,025	26	7,127	38	9,152	9%	0	0

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

** "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

Table13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																	Evaluation Period: 06/30/1997 TO 01/10/2000			
MSA/Assessment Area	Deposits		Branches					ATMs						Population						
	% of Total Total AA Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs					% of the Population with Each Geography*						
				Low (%)	Mod (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp			
Full Scope:																				
Los Angeles- Long Beach, CA MSA	83	35	69	11.43	8.57	17.14	62.86	6	65	14.29	10.71	10.71	64.29	9.02	26.69	33.93	30.17			
Orange County, CA MSA	6	5	10	0.00	25.00	25.00	50.00	5	12	0.00	25.00	25.00	50.00	3.61	26.73	42.01	27.64			
Ventura, CA MSA	1	4	8	0.00	25.00	50.00	25.00	4	9	0.00	25.00	50.00	25.00	2.58	29.32	45.01	23.10			
Limited Scope:																				
Riverside-San Bernadino County MSA, City of Riverside AA	5	4	8	0.00	50.00	0.00	50.00	14	9	0.00	50.00	0.00	50.00	0.99	19.44	59.70	19.87			
San Diego, CA MSA	4	3	6.00	0.00	33.33	0.00	66.67	2	5	0.00	50.00	0.00	50.00	6.24	23.15	43.98	25.26			

* The percentage of the population in the MSA/AA that resides in these geographies.