



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**City National Bank
Charter Number: 14695**

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Beverly Hills, California 90210**

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

General Information	2
Definitions and Common Abbreviations	2
Community Reinvestment Act (CRA) Rating	3
Description of City National Bank	4
Description of the Bank’s Assessment Areas	4
Conclusions with Respect to Performance Tests	
Lending Test	7
Investment Test	11
Service Test	13
Fair Lending Review	16
Metropolitan Statistical Areas (MSAs)	
Los Angeles- Long Beach MSA	17
Orange County MSA	24
San Diego County MSA	25
Riverside- San Bernardino MSA	26
Ventura County MSA	27
Appendix A: Scope of Examination	28
Appendix B: Additional Tables	29

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the 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 **November 28, 1997**. 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.

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 safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

Census Tract (CT) - Small, locally defined 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.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA 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 its disposition (e.g., approved, denied, withdrawn).

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 census tracts. 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.

Low-Income - Income levels that are less than 50% of the MFI.

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

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

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

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution’s CRA Rating: This institution is rated **“Satisfactory.”**

The major factors which support this rating include:

- ▶ City National Bank’s (CNB) lending activity shows good responsiveness to area credit needs considering the bank’s business strategy and the volume of small business loans. The geographic distribution of small business loans is reasonable across the geographic income levels. The distribution of HMDA loans by tract characteristics and borrower income is low relative to demographic data as CNB does not target this business. The distribution of loans to different size businesses, based on the number and dollar volume of loans to small businesses is low. Community development lending is very strong and CNB sometimes provides innovative and flexible products.
- ▶ CNB has an exceptionally high volume of qualified investments. These investments were responsive to community needs, but rarely innovative.
- ▶ CNB’s delivery systems are accessible to essentially all portions of its assessment areas. The bank’s opening and closing of branches has not adversely affected delivery system accessibility. Services and business hours are appropriate. The bank is a leader in providing community development services.

The following table summarizes the 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			
High satisfactory	x	x	x
Low satisfactory			
Needs to improve			
Substantial noncompliance			

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

Description of City National Bank

CNB is a wholly owned subsidiary and the principal asset of City National Corporation. There are no other affiliate organizations. CNB was founded in 1954 in Beverly Hills, California.

Since its last CRA Examination in November 1995, CNB has grown from approximately \$3 billion in assets and 17 branch locations, to \$5 billion in assets and 35 branches. Asset growth is partially attributed to the acquisitions of First Los Angeles Bank, Ventura County National Bancorp, and Riverside National Bank. These acquisitions brought CNB into two new markets (Ventura and Riverside Counties). The business focus of acquired companies was similar to CNB's. Los Angeles County is CNB's primary assessment area. Seventy-nine (79%) of reportable loans originated in Los Angeles County during this assessment period.

CNB targets its financial products and services to mid-size businesses, professional firms, the entertainment industry, the commercial real estate sector, high-net-worth individuals, and other specific industries. CNB offers a variety of retail products including mortgage loans, consumer loans, and credit card products. However, these ancillary products are primarily offered to support CNB's primary business focus - providing full service relationship banking to its targeted customer base.

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 include Bank of America, NT&SA, Wells Fargo Bank N.A., Countrywide Home Loans (mortgages), and American Savings Bank (mortgages). CNB has the capacity to serve the community's credit needs.

Description of the Bank's Assessment Areas

In this section, we describe each of CNB's assessment areas, as well as identified credit and community development needs.

CNB has designated five large assessment areas for CRA performance including parts of Los Angeles County, Orange County, Ventura County, the City of Riverside, and portions of San Diego County. The bank's assessment areas meets the requirements of the regulation, and do not arbitrarily exclude any LMI geographies. The assessment areas are located in five separate MSA's, including Los Angeles-Long Beach (#4480), Orange County (#5945), San Diego (#7320), Riverside- San Bernardino (#6780), and Ventura (#8735).

The following table provides basic demographic information for each assessment areas. Following the chart is additional detail for each community.

Table 1 CNB Branch Locations and Assessment Area Demographics *					
Assessment Area	Number of Branches	Population (000's)	Number of Census Tracts	Percentage of Low-Income Tracts	Percentage of Moderate-Income Tracts
Los Angeles County	24	8,469	1,600	9%	24%
Orange County	2	2,411	484	3%	25%
San Diego County	1	519	87	1%	7%
City of Riverside	4	217	28	4%	21%
Ventura County	4	669	130	3%	30%
Totals:	35	12,285	2,329	7%	24%

* 1990 United States Bureau of the Census (Census data).

Los Angeles County Assessment Area

This assessment area follows the MSA's political boundaries on three sides, and is bordered by the Santa Suzana Mountains on the North. The area includes 1,600 of 1,652 geographies in the Los Angeles-Long Beach MSA. CNB excluded 52 MSA tracts located north of the Santa Suzana Mountains. This is reasonable as the mountains form a natural boundary.

Census information showed the median housing value for Los Angeles County was \$249 thousand in 1990. Forty-eight (48%) of occupied units were rented and 45% were owner occupied. The U.S. Department of Housing and Urban Development (HUD) estimated median family income for 1997 was \$47,800. The census data shows that 23% of families are low-income, 17% moderate-income, 20% middle-income, and 40% high-income. Companies with yearly sales under \$1 million represented 66% of total businesses. Major industries include Services (46%), Retail trade (19%), and Finance (9%).

Orange County Assessment Area

This assessment area is the Orange County MSA. The median housing value in 1990 was \$235 thousand. Fifty-six percent (56%) of housing units were owner occupied and 37% renter occupied. The HUD estimated median family income for 1997 was \$63,200. Nineteen (19%) of families were low-income, 19% moderate-income, 23% middle-income, and 39% upper-income. Companies with yearly sales under \$1 million represented 88% of total businesses. Business distribution is similar to Los Angeles County.

San Diego County Assessment Area

This assessment area includes portions of San Diego County, bordered by Interstate Highway 8 (South), the City of Santee (East), and the city of Encinitas (North). The assessment area includes 87 of the 445 geographies in the

County and 21% of the population. The size of the County served by the single branch and natural boundaries justify this assessment area not following political boundaries.

The median housing value in 1990 was \$255 thousand. Of total housing units, 52% were owner occupied and 41% renter occupied. The HUD estimated median family income for 1997 was \$48,600. Eleven percent (11%) of families in the assessment area were low-income, 15% moderate-income, 21% middle-income, and 53% high-income. Companies with yearly sales under \$1 million represented 85% of total businesses. The largest industries are Services (48%), Retail trade (17%), and Finance (13%).

City of Riverside Assessment Area

This assessment area follows the political boundaries of the City of Riverside, California. In 1990, the median housing value was \$134 thousand. Of all housing units, 52% were owner occupied and 42% renter occupied. The HUD estimated median family income for 1997 was \$44,800. Eighteen percent (18%) of families in the assessment area were low-income, 17% moderate-income, 22% middle-income, and 42% high-income. Companies with yearly sales under \$1 million represented 90% of total businesses. The largest industries are Services (46%) and Retail trade (18%).

Ventura County Assessment Area

This assessment area follows the political boundaries of the Ventura County MSA. The median housing value in 1990 was \$254 thousand. Of all housing units, 62% were owner occupied and 32% rental occupied. The HUD estimated median family income for 1997 was \$61,100. Eighteen percent (18%) of families in the assessment area were low-income, 19% moderate-income, 25% middle-income, and 38% high-income. Businesses with yearly sales under \$1 million represented 88% of total businesses. The largest industries are Services (41%) and Retail trade (19%).

Assessment Area Credit Needs

To evaluate credit and community development needs, examiners reviewed recent contacts with community development organizations (20 contacts), and contacted three other organizations serving the bank's assessment areas. These contacts identified the credit needs of small businesses, affordable housing, and services targeted to LMI persons. We also reviewed CNB's self assessment of community's needs. The primary credit and community development needs of the combined assessment areas include:

- Affordable home ownership programs
- Loans to small businesses
- Operating grants to local community groups
- Home-ownership counseling and credit education
- Assistance to small business owners

CNB addressed these needs through community development lending, investments and services. The bank also provided a high volume of direct small business loans during the assessment period. Refer to the respective sections of this Report for more detail.

Conclusions with Respect to the Performance Tests

Lending Test

In assessing lending performance, we focused on CNB's lending activity; assessment area concentrations; geographic distribution of loans; borrower profiles; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product innovation and flexibility.

Conclusions:

- ▶ The bank's lending activity shows good responsiveness to area credit needs. This assessment considers CNB's business strategy and the volume of small business and HMDA loans. CNB addresses other community credit needs through community development loans, and mortgage-backed securities investments targeted to LMI. A substantial majority of small business, HMDA, and community development loans were in the assessment areas.
- ▶ The geographic distribution of small business loans is reasonable.
- ▶ The distribution of HMDA products is not particularly responsive to LMI persons or geographies. This is not unusual considering CNB's business strategy and the accommodation nature of HMDA lending.
- ▶ The distribution of loans to business customers of different sizes is low based on the percentage of loans to businesses with gross annual revenues under \$1 million.
- ▶ Community development lending is very strong. CNB sometimes provides innovative and flexible products.

Lending Activity

The bank's lending activity shows good responsiveness to area credit needs considering CNB's business lending strategy. The volume of small business, HMDA, and community development loans represents a high percentage CNB's total loan production. And CNB's market share of small business loans in 1996 was strong. CNB addressed affordable home ownership and other community credit needs through community development loans and investments in targeted mortgage-backed securities. The following table summarizes CNB's small business, HMDA, and community development lending for this assessment period.

Table 2 Small Loans to Businesses, HMDA, and Community Development loans for the Assessment Period 1996 through June 1997 (Includes All of the Assessment Areas)						
Loan Product	Total Originations		Within the Assessment Areas			
	#	\$ (000)	#	%	\$ (000)	%
Small Business*	4,634	\$809,811	4,351	94%	\$753,262	93%
HMDA	604	\$325,188	559	93%	\$310,834	96%
Community Development	45	\$150,552	41	91%	\$130,029	86%
Grand Total	5,283	\$1,285,551	4951	94%	\$1,194,125	93%

* CNB did not report any small farm loans during the assessment period.

The combined volume of small business, HMDA, and community development lending represents approximately 49% of CNB's total loan production by number of loans, and 29% by dollar volume for the period. This volume of reportable loans is notable considering CNB's focus on mid-size businesses, professional firms, entertainment, and commercial real estate. CNB made 803 loans, totaling \$124 million, to small businesses with annual revenues under \$1 million during the eighteen month period.

CNB's market share of small business loans in 1996 was 2% for all the assessment areas. Compared to all reportable institutions, CNB ranked 7th in number of loans. The institutions reporting higher volumes of small business loans were either significantly larger in asset size or were not traditional banks.

Consistent with CNB's business focus, HMDA lending is low. As shown in Table 2, the HMDA volume is small compared to CNB's small business lending by number and dollar amount. The competition for HMDA lending in CNB's five assessment areas is very strong. Based on 1996 aggregate HMDA data, the top 30 lenders captured 31% of market share with 850 total lenders in the markets. CNB ranked 147th among these lenders with a combined market share of .10% by number of loans and .31% by dollar.

CNB's lending performance shows good responsiveness to community's credit needs. As noted in the Community Profile, community credit needs include affordable home-ownership programs and loans to small businesses. CNB indirectly assisted in the creation of affordable housing through community development lending, investments in targeted mortgage-backed securities, and grants to community development organizations.

Assessment Area Concentration

As Table 2 shows, a substantial portion of CNB's small business, HMDA, and community development loans were within the assessment areas. The percentages of total loans was 94% by number and 93% by dollar volume.

Geographic Distribution of Loans within the Assessment Area

The geographic distribution of small business loans is reasonable. CNB's lending in low-income geographies approximates market demographics, and slightly exceeds the market average for all small business reporters in 1996. The geographic distribution of HMDA loans was low relative to demographic data, particularly in LMI geographies. This is not unusual because of the accommodation nature of mortgage loans at CNB.

The following table shows the geographic distribution of CNB's small business loans for the period. For comparison, the table also shows the distribution of census tracts based on income, and the demographic distribution of small businesses. CNB bank management provided the percentage of tracts penetrated in each tract category.

Table 3 Distribution of Small Business Originations for 1996 through June 1997 Within All Assessment Areas By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7%		24%		37%		32%	
Distribution % of Businesses (586,000 total non-farm)	8%		23%		36%		33%	
Census Tracts Penetrated	31%		26%		30%		44%	
Loan Product	#	%	#	%	#	%	#	%
Small Business Loans *	359	8%	560	12%	1,057	23%	2,565	57%

Source: Business Demographic Data, and Bank prepared Small Business and HMDA Registers.

* Note that 93 small business loans were located in "NA" census tracts, and are not shown on this table.

CNB's distribution of small business loans in LMI areas is low compared to both the business profile of the community, and the 1996 aggregate small business market performance. The combined distribution across the LMI geographies was 20%, compared to 31% of the total businesses in the same geographies. The aggregate market distribution in 1996 was 26%, compared to CNB's 19% in the same period. However, as noted earlier, CNB performed well in small business lending in low-income geographies. The bank's tract penetration is also less for LMI tracts compared to upper-income tracts. Management recognized this imbalance and has addressed it through community development activities targeted to LMI communities.

The distribution of HMDA products in LMI tracts was also low compared to the tract demographics. Just 4% of the bank's HMDA loans originated in LMI geographies, compared to the tract distribution of 31% and the distribution of owner-occupied units of 17%. This low penetration of LMI tracts is not unusual given the accommodation nature of mortgage loans and the bank's business lending focus.

Distribution by Borrowers' Income and Business customers of different size within the Assessment Area

The distribution of loans to business customers of different size is low when compared to total small business lending. This is based on the number and volume of loans to businesses with gross annual revenues under \$1 million, as shown in Table 4.

The percentage of CNB's business loans to companies with gross annual revenues less than \$1 million is low relative to the business distribution. Dun & Bradstreet's 1996 data showed that 74% of businesses in CNB's combined assessment areas had annual sales under \$1 million. In addition, aggregate market data for 1996 showed an average percentage for all reporting institutions of 51% (number) and 36% (dollar).

Table 4 Distribution of Small Business Originations in 1996 and YTD 1997 Within All Assessment Areas By Loan Size and Business Revenues								
Loan Size					*Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Less than \$100,000	2,614	60%	\$121,393	16%	590	23%	\$27,823	23%
\$100,000 to \$250,000	848	20%	\$154,208	20%	115	14%	\$20,378	13%
\$250,000 to \$1,000,000	889	20%	\$477,661	64%	86	10%	\$46,211	10%
Totals	4,351	100%	\$753,262	100%	791	18%	\$94,412	13%

Source: Business Demographic Data and Bank prepared Small Business Data Collection Register.

* These percentages are based on total loans reported by category, including those without known revenues. Loans without known revenues are approximately 31% of loans by number.

CNB's distribution of HMDA products by borrower income level is low. This is expected since CNB offers HMDA products primarily as an accommodation to existing customers. The distribution of HMDA products for the combined assessment areas is 1% low-income, 3% moderate-income, 5% middle-income, and 91% upper-income families. This performance is partly offset by CNB's community development lending to organizations providing affordable housing, and investments in targeted mortgage-backed securities.

Community Development Lending

Community development lending is very strong. Below is a summary of community development loans by general loan purpose.

Table 5 Summary of Community Development Loans in 1996 through June 1997 Within All Assessment Areas		
Community Development Purpose	Number	Dollar Volume (000's)
Revitalize/ Stabilize LMI Geographies	30	\$101,401
Services to LMI Families	13	\$38,982
Affordable Housing to LMI Families	2	\$10,169
Total	45	\$150,552

External community development performance benchmarks relative to CNB are currently not available. Data for peer institutions has not been analyzed in the context of the “community development” definition in the revised CRA regulation.

Community development loan volume is significant. It represents 37% of CNB’s June 30, 1997 equity capital and 20% of small business dollar volume for the period assessed.

CNB focused their community development lending efforts on organizations which offered LMI services and who provided affordable housing in the bank’s assessment area. Also, business loans helped stabilize LMI communities through job creation and by providing essential services. These categories are described below.

- ▶ The largest category of community development loans are for activities which stabilize and/or revitalize LMI geographies. Most qualifying loans were to businesses in the State of California Enterprise Zones or Los Angeles Revitalization Zones (23 loans for \$83.5 million). Both of these “zone” designations are designed to stimulate development in select economically-depressed areas. The qualified loans were to businesses which created and/or retained jobs benefitting unskilled and low-skilled workers, or provided essential services primarily benefitting LMI persons. Specific businesses are detailed in the **Los Angeles-Long Beach MSA** comment.
- ▶ CNB financed six leases totaling \$11.9 million for essential services to school districts across California. Funds were used primarily for relocateable classrooms in each district in an effort to reduce the number of students per class. The legislature and Governor of California have deemed classroom size reduction as essential and an urgent state need. Each district served LMI geographies, with the vast majority of families earning below 80% of MSA medium family income. This is an innovative example of direct tax-exempt financing through qualified leases.
- ▶ **California Community Reinvestment Corporation (CCRC)** is a non-profit mortgage corporation created by California financial institutions for affordable housing development throughout California. CNB participated in the loan consortium, then converted to a secured line of credit for \$8 million. CNB is the fourth largest participant in CCRC, with a 4% loan share. In 1996, CCRC funded 8 loans for affordable housing totaling over \$15 million.

Product Innovation and Flexibility

CNB uses flexible lending practices and provides a limited number of innovative products to serve the assessment areas. One example of flexible underwriting is the community development loan to Aids Healthcare Foundation (AHF). The qualified school district leases noted above are also considered innovative.

- ▶ AHF offers hospice, clinic and counseling services to individuals with AIDS. AHF currently operates three existing affordable housing hospices, with one located in South Central Los Angeles. AHF’s primary income source is from state and federal grants and service reimbursement from Medicare and Medi-Cal. A vast majority of the recipients of services are low-income persons. CNB provided AHF with a \$2 million operating capital loan pending reimbursements from Medicare and Medi-Cal. The credit is considered flexible because of repayment source complexity.

Investment Test

To assess CNB’s Investment Test performance, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development. We supplemented this with input from community organization representatives.

Conclusions:

- CNB has an exceptionally high volume of qualified investments.
- These investments were responsive to community needs, but rarely innovative.

Investment and Grant Activity

Information is not available to compare CNB's investment volume with peer banks. However, CNB has demonstrated a substantial commitment with \$41.5 million of qualified investments for the review period. These investments represent 10% of CNB's equity capital as of June 30, 1997. Also, grants and in-kind contributions benefited over 80 organizations. The following table reflects CNB's qualified investments.

Table 6 CNB's Total Qualified Investments	
INVESTMENT	Amount (000's)
Targeted GNMA Mortgage-Backed Securities	\$23,238
Low Income Housing Tax Credits (LIHTC)	\$8,000
U.S. Agency Security, Collateralized by SBA Loan Pool	\$5,978
Equity Investments in Community Development Corporations	\$649
Qualified Redevelopment Bonds *	\$3,031
Grants and In-Kind Contributions	\$676
Total Bank	\$41,572

* Includes the outstanding balance of Investments originated in prior periods.

Responsiveness to Community Development Needs

CNB responded to community needs by investing in or providing grants to organizations whose primary purpose is community development. Qualified investments whose primary purpose is affordable housing for LMI persons represented 84%, investments focused on providing community services to LMI persons were 1.3%, and investments that promote economic development by financing small businesses were 15%. Detailed below are two examples of qualified investments which created affordable housing.

- **Targeted GNMA Mortgage-Backed Securities** - The bank purchased over \$23 million in targeted mortgage-backed securities. These securities are collateralized by 200 mortgage loans from LMI geographies within CNB's assessment areas. Our analysis concluded that LMI households were the primary beneficiary of these loans based on reported income and the pooled collateral.
- **California Equity Fund Partnerships (CEF)** - CNB committed \$8 million to CEF. This organization purchases state and federal low income housing tax credits from non-profit developers. CNB was one of the first financial institutions to invest in CEF beginning in 1989.

Service Test

In assessing CNB's performance under the Service Test, we focused on delivery system accessibility; changes in branch locations; business hours and services reasonableness considering assessment area needs; and, level of community development services.

Conclusions:

- ▶ CNB's delivery systems are reasonably accessible to essentially all portions of the assessment areas. CNB's branch network provides satisfactory business customer access.
- ▶ The bank's record of opening and closing branches is satisfactory. We noted no adverse impact to delivery system accessibility from branch changes.
- ▶ Bank services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly LMI geographies or individuals. Business loan products and ancillary retail products are available at each branch location.
- ▶ CNB is a leader in providing community development services.

Retail Banking Services

CNB has 35 branches located throughout its assessment areas. These branches are reasonably distributed among all geographies. While a majority of branches (66%) are located in middle- and upper-income areas, this is consistent with combined assessment area demographics (69% of census tracts are in these locations).

CNB offers limited alternative delivery systems which are accessible to all geographies. Full service Automated Teller Machines (ATMs) are located at all but one branch location. Additionally, ATMs are located at two former branch locations. The bank also offers Tele-Loan (personal loans by phone), armored car and messenger services for small businesses, telephone transfer agreements, and bank-by-mail services.

The following table reflects branch and ATM distribution among census tract categories.

Table 7 Distribution of Delivery Systems By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7%		24%		37%		32%	
Households (000's)	258		970		1,594		1,3654	
Type of Service	#	%	#	%	#	%	#	%
Branches *	4	12%	4	12%	9	26%	17	50%
ATMs	3	9%	4	12%	9	27%	17	52%
Totals	7	10%	8	12%	18	27%	34	51%

Source: Bank Internal Records.

* Note that one branch is located in a "NA" geography, and two branches are full-service ATM's with night depositories located at former branches.

CNB's record of opening and closing branches is satisfactory, with no adverse impact to low- to moderate-income individuals or areas. Since the last CRA examination, the bank opened 18 branches, consolidated five, and relocated one. Bank acquisitions resulted in all but two of these transactions. Twenty-three (23%) of openings were in LMI tracts. Branch consolidations and relocations did not adversely impact low- to moderate-income areas.

The bank offers a full range of services to all communities. Services include loan products and affordable deposit products like Lifeline and Senior Accounts, along with small business checking accounts. Many branch locations have bi-lingual services available. CNB also disseminates its product and service information through the Operation Hope Banking Center in South Central Los Angeles. Branch hours are consistent and reasonably accessible to all segments of various geographies.

Community Development Services

CNB is a leader in providing community development services. Bank personnel provided approximately 2,900 hours in services annually to 47 community development organizations. All of the organizations provided assessment area benefit via affordable housing, small businesses, or services targeted to LMI individuals. CNB involvement included contributing staff expertise, fund raising efforts, and technical assistance and education. Many services were in collaboration with other community organizations and reflect CNB's willingness to take innovative steps to reach community needs in new ways. The bank has taken a leadership role in many of these organizations, especially those associated with providing affordable housing to the developmentally disabled. A few examples follow.

- **Federal Home Loan Bank (FHLB) Affordable Housing Program** - As a FHLB member, CNB sponsored two non-profit affordable housing builders for Affordable Housing Program (AHP) grants of \$450 thousand. The AHP program provides grants to affordable housing builders and LMI first time home buyers. The investment required considerable time commitment in grant request preparation, long term monitoring, and CNB's responsibility for recapture in case of non-compliance.
- ▶ **HOMECHOICE** - The bank co-founded the Southern California HOMECHOICE Coalition. HOMECHOICE (a group of over 30 organizations) offers home ownership education and special loans to persons who have developmental disabilities. HOMECHOICE was selected by FannieMae to participate in a pilot program on a new loan product designed for low-income individuals with disabilities. CNB

participated in several first time home buyer workshops attended by over 250 people. The bank's CRA Officer conducted another session in Spanish in South Central Los Angeles attended by over 50 people.

- ▶ **CHARO Community Development Corporation** - CHARO is a leading Hispanic non-profit agency that provides small business development, job training, and job placement. City National Corporation's Chairman co-chair the organization's 30th anniversary celebration which raised over \$100,000. CNB's Community Reinvestment Officer also served on the planning committee.

- ▶ **Commission on Affordable Housing for the Developmental Disabled** - The commission was created by the State of California Developmental Disabled Service to provide assistance and advice to state officials, affordable housing non-profit builders, and the community at-large. CNB is the only financial institution represented on the Commission and provides expertise on financial issues. The bank's Community Reinvestment Officer has also participated in workshops which inform non-profit agencies on affordable housing for very low-income developmentally disabled persons.

Fair Lending Review

We performed a fair lending review during our examination of CNB. Our analysis focused on applications for unsecured consumer loans and mortgage refinances during 1996 and 1997. The review did not disclose any instances of disparate treatment or discrimination. We did not identify any violations of substantive provisions of the antidiscrimination laws and regulations.

We sampled 120 unsecured consumer applications during our review. We compared the qualifications of Hispanic applicants which were denied credit with a control group of white applicants. For the mortgage refinance product, our sample size was limited to 30 applications, comparing the same two applicant groups.

CNB has an acceptable system of testing for fair lending compliance.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in the Los Angeles- Long Beach MSA.

The bank's performance in the Los Angeles-Long Beach MSA is analyzed in the context of the assessment area within this MSA. Please refer to the **Description of the Bank's Assessment Areas** for more detail.

The bank's Los Angeles County assessment area CRA performance has the greatest rating impact. The Los Angeles County assessment area has been CNB's primary focus for lending, investment, and service activities. As noted in the bank profile comment, CNB has a total of 35 branches, 24 (69%) of which are located in the Los Angeles County MSA. The dollar amount of small business, HMDA, and community development in this assessment area represents 84% of all assessment areas. Seventy-three (73%) of qualified investments are located in Los Angeles County. And 83% of community development services were in this assessment area (83% of monthly hours for all assessment areas).

Summary conclusions for Los Angeles-Long Beach MSA performance include.

- ▶ The bank's lending activity reflects good responsiveness to area credit needs. The geographic distribution of small business loans is reasonable. The distribution of loans to business customers of different size is low when compared to total small business lending. Community development lending is very strong.
- ▶ CNB has an exceptionally high volume qualified investments. These investments were responsive to community needs and investments, but rarely innovative.
- ▶ CNB's Los Angeles County MSA delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank's opening and closing of branches has not adversely affected delivery system accessibility. The bank is a leader in providing community development services.

Lending Test

- ▶ CNB's lending activity reflects good responsiveness to area's credit needs, considering the bank's business lending focus and volume of small businesses loans.
- ▶ The geographic distribution of small business loans is reasonable. CNB's lending in low-income geographies approximates both the market demographics and the market average for all small business reporters in 1996.
- ▶ The distribution of loans to business customers of different size is low. This is based on the number and volume of loans to businesses with gross annual revenues under \$1 million.
- ▶ CNB has a strong commitment to community development lending as demonstrated by the high level of qualified loans.

Lending Activity

CNB's Los Angeles County assessment area lending activity shows good responsiveness to area credit needs. This conclusion considers CNB's business lending focus, and the volume of small business loans. Community development loans during the eighteen month period also addressed affordable housing needs, equity funding of community development organizations, and services targeted to LMI families.

The following chart summarizes CNB's small business, HMDA, and community development lending for this assessment period.

Table 8 Los Angeles County Assessment Area Volume of Small Business, HMDA, and Community Development loans. Also, Comparison to Total Volume in All Assessment Areas.				
Loan Product	Total Originations		As a Percentage of the Total in all the Assessment Areas	
	#	\$ (000)	#	\$
Small Business	3,690	\$631,908	85%	84%
HMDA	477	\$278,620	85%	90%
Community Development	31	\$88,626	76%	68%
Grand Total	4,198	\$999,154	85%	84%

CNB's market share of small business loans in 1996 was 3.4% for the Los Angeles County assessment area. Compared to all reportable institutions, CNB ranked 5th in number of loans. The four institutions reporting higher volumes of small business loans were either significantly larger in asset size or not traditional banks.

HMDA loan activity in the Los Angeles County assessment area represents 85% of total volume, but is not a significant volume overall. Again, this reflects the accommodation nature of mortgage lending at CNB, the bank's business strategy, and competition for products within the area. CNB's total HMDA loan market share in 1996 for the assessment area was just .23% and their rank was 92.

Geographic Distribution of Loans within the Assessment Area

The geographic distribution of small business loans is reasonable. CNB's lending in low-income geographies approximates both the market demographics and the market average for all small business reporters in 1996. The geographic distribution of HMDA loans was low relative to demographic data, particularly in LMI geographies. This is not unusual because of the accommodation nature of mortgage loans at CNB.

As Table 9 shows, CNB's small business loans in low-income tracts was 9% of the total loans. The market demographic of small businesses in low-income tracts was 10%, and the market average for all reporters in 1996 was 9%.

CNB's distribution of small business loans in LMI areas is low compared to both the business profile of the community, and the 1996 aggregate small business market performance. The combined distribution across the LMI geographies was 19%, compared to 31% of the total businesses in the same geographies. The aggregate market distribution in 1996 was 26%. However, as noted earlier, CNB's performance in low-income geographies was comparable to market performance.

The bank's tract penetration is also less for LMI tracts compared to upper-income tracts. Management recognizes this imbalance and has addressed it through community development activities targeted to LMI communities.

The following table shows the geographic distribution of CNB's small business loans for the period. For comparison, the table also shows the distribution of census tracts based on income, and the demographic distribution of small businesses. Management provided the percentage of tracts penetrated in each tract category.

Table 9 Distribution of Small Business and HMDA originations for 1996 through June 1997 Within the Los Angeles County Assessment Areas By Income Level of the Census Tract *								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	9%		24%		33%		34%	
Distribution % of Businesses (392,224 total non-farm)	10%		21%		33%		36%	
Census Tracts Penetrated	29%		25%		32%		47%	
Loan Product	#	%	#	%	#	%	#	%
Small Business Loans	336	9%	362	10%	715	19%	2,268	62%

Source: Business Demographic Data and Bank prepared Small Business and HMDA Registers.

* Note that a small number of the small business and HMDA loans are located in the "NA" tracts (19), not reflected in the distribution above.

CNB's distribution of HMDA products is low, particularly in LMI geographies. Just 3% of CNB's HMDA loans originated in LMI geographies in 1996, compared to the tract distribution of 33% and the distribution of owner-occupied units of 18%. CNB has addressed affordable housing in LMI tracts through community development loans to organizations providing affordable housing in the Los Angeles County assessment area, and by purchasing targeted mortgage-backed securities which are secured by mortgages originating in LMI tracts. These are discussed in other section of this Evaluation.

Distribution by Borrowers' Income within the Assessment Area

The distribution of loans to business customers of different size is low, relative to business demographics. This is based on the number and volume of loans to businesses with gross annual revenues under \$1 million, as shown in Table 10.

The percentage of CNB's business loans to companies with gross annual revenues less than \$1 million is low relative to the business distribution and the aggregate market distribution. Dun & Bradstreet's 1996 data showed that 75% of businesses in CNB's combined assessment areas had annual sales under \$1 million. In addition, aggregate market data for 1996 showed an average percentage for all reporting institutions of 52% (number) and 34% (dollar).

Table 10
Distribution of Small Business Originations in 1996 and YTD 1997
Within Los Angeles County Assessment Areas
By Loan Size and Business Revenues

Loan Size					* Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	2,220	60%	\$104,012	17%	500	23%	\$23,487	23%
\$100,000 to \$250,000	735	20%	\$132,946	20%	89	12%	\$15,452	12%
\$250,000 to \$1,000,000	735	20%	\$394,950	63%	51	7%	\$27,185	7%
Totals	3,690	100%	\$631,908	100%	640	17%	\$66,124	10%

Source: Business Demographic Data and Bank prepared Small Business and Farm Data Collection Register.

* Note that these percentages are based on the total loans reported by category, including those without known revenues. Loans without known revenues are approximately 28% by number of loans.

CNB's distribution of small business lending by business size is low relative to business demographics. Table 10 shows that 17% of CNB's small business loans were to businesses with annual revenues under \$1 million. Dunn & Bradstreet business data for year-end 1996 shows 75% of businesses in the Los Angeles County assessment area had annual sales under \$1 million.

CNB's distribution of small business loans by loan size is low relative to the 1996 aggregate market average. The aggregate market average of small business loans less than \$100 thousand is 82% (this excludes the two largest credit card reporters due to dissimilar products).

The distribution of HMDA products by borrower income level is expectedly low because of CNB's business focus. The distribution of all products within all assessment areas is 1% low-income, 2% moderate-income, 8% middle-income, and 89% upper-income families.

Community Development Lending

CNB has a strong commitment to community development lending as demonstrated by the high level of qualified loans. The following table summarizes community development activity in the Los Angeles assessment area.

Table 11 Summary of Community Development Loans in 1996 through June 1997 Within All Assessment Areas		
Community Development Purpose	Number	Dollar Volume (000's)
Revitalize/ Stabilize LMI Geographies	25	\$66,251
Services to LMI Families	6	\$22,375
Grand Total	31	\$88,626

Community development loan volume represents 68% of total dollar volume of all community development loans, and 22% of CNB's June 30, 1997 equity capital.

Community development lending was focused on organizations addressing the credit needs of the community by providing LMI services. Businesses lending helped stabilize LMI communities through job creation and the provision of essential services in the assessment area. Two examples of community development loans follow.

- CNB provided a \$7.5 million revolving line of credit and \$3.3 million term real-estate loan to a Los Angeles Redevelopment Zone (State designation) manufacturing business. This business revitalizes and stabilizes an LMI area through job creation. This business is one of the tracts larger employers, employing 559 persons in semi-skilled and low-skilled manufacturing positions.
- CNB provided a \$5 million working capital line to a non-profit foundation which provides community services targeted to low- or moderate-income persons. The foundation provides rehabilitative services for developmentally disabled persons. The foundation also assists or pays for services to create vocational training, employment, and affordable housing.

Investment Test

- CNB has an exceptionally high volume qualified investments. These investments were responsive to community needs and investments, but rarely innovative.

Investment and Grant Activity

Los Angeles County assessment area investments total \$30.3 million, representing 73% of the bank's qualified investments. Grants and in-kind contributions benefitted over 60 community development organizations. CNB's qualified investments in Los Angeles County represent over 7% of the bank's June 30, 1997 equity capital. The following table reflects CNB's qualified investments in the Los Angeles County Assessment Area.

Table 12 Qualified Investments in the Los Angeles County Area	
INVESTMENT	VALUE
Targeted GNMA Mortgage-Backed Securities	\$12,073
Low Income Housing Tax Credits (LIHTC)	\$8,000
U.S. Agency Security, Collateralized by SBA Loan Pool	\$5,978
Equity Investments in Community Development	\$576
Qualified Redevelopment Bonds *	\$3,031
Grants and In-Kind Contributions	\$607
Total Los Angeles AA	\$30,265

* Includes the outstanding balance of Investments originated in prior periods.

Responsiveness to Community Development Needs

Notable qualified investments include.

- **Targeted GNMA Mortgage-Backed Securities** - The bank purchased over \$23 million targeted mortgage-backed securities. These securities are collateralized by 200 loans from LMI geographies in the bank's assessment areas, \$12 million which are located in Los Angeles County. From our analysis of reported income on underlying loans, we determined that over 54% were to LMI persons.
- **Los Angeles Community Redevelopment Agency Bonds** - During the assessment period, CNB purchased \$3 million of Los Angeles Community Redevelopment Bonds. The bond proceeds were used to rehabilitate, improve, and preserve single family and multi-family housing in the City of Los Angeles for LMI persons.

Grants and In-kind Contributions - CNB contributed over \$607 thousand to organizations that provide housing to LMI individuals and activities that provide community development services. These contributions include the following.

- CNB contributed \$42,500 to a non-profit organization operating a home loan center that provides pre- and post-purchase home ownership counseling, credit counseling, and loans to LMI persons. The non-profit also operates a banking center which CNB personnel assisted in opening.
- The bank contributed \$300 thousand to a non-profit charity, targeting the funds for services to LMI persons in Los Angeles County.

Service Test

- ▶ The bank's delivery systems are accessible to essentially all portions of its assessment area. The bank's opening and closing of branches has had no adverse impact on low- to moderate- income individuals or areas. Services and banking hours do not vary in a way that inconveniences portions of the assessment area.
- ▶ CNB is a leader in providing community development services.

Community Development Services

The bank provided services to 33 community development organizations. This required approximately 183 hours of service on a monthly basis and 244 hours on a one-time basis. CNB officers and employees participate as board members and financial advisors on numerous community, non-profit, and government organizations which are responsive to community needs. They include organizations such as Los Angeles Neighborhood Housing Service, Home Loan Counseling Center of Los Angeles, New Economics For Women, Operation Hope, Watts Cinema and Education Center, California Community Reinvestment Center, Community Financial Resource Center, Los Angeles Entrepreneur Center, Housing Authority City of Los Angeles.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Orange County MSA

The bank's Orange County MSA CRA performance has limited impact on CNB's overall rating based on the bank's performance in this area. As noted in the bank profile comment, CNB has a total of 35 branches with only 2 locations (6%) in the Orange County MSA. The total dollar amount of small business, HMDA, and community development loans in this MSA is just 7% of the total. Total qualified investments represent 11%, and community development services are 6% of total monthly hours.

A brief conclusions for each of the performance tests follow. Please refer to **Appendix B** for the summary Tables supporting this analysis.

Lending Test

- ▶ CNB's lending activity is satisfactory, with adequate responsiveness to assessment area credit needs. The total small business, HMDA and community development loan volume is \$79.7 million. As noted above, this represents 7% of CNB's loans for these categories within the assessment areas. CNB's market share of small business loans in 1996 was .73% in Orange County, ranking them 15th by number of loans.
- ▶ The geographic distribution of small business loans is good with 38% LMI distribution compared to tract income demographics of 28%. HMDA distribution in LMI tracts is low compared to the tract characteristics, but represents a very small number of loans.
- ▶ The distribution of small business loans to businesses of different sizes is low relative to business demographics. Twenty-seven percent of small business loans were to businesses with annual revenues under \$1 million. The demographics of businesses in the assessment area shows that 76% have annual sales under \$1 million.. The distribution of small business loans by loan size is low, with 57% of loans under \$100 thousand.
- ▶ Community development lending in the Orange County MSA is low with one loan of \$1.3 million for the period.

Investment Test

- The bank has a good volume of qualified investments. Qualified investments in Orange County total \$4.5 million or 11% of the bank's total.
- Responsiveness to credit and community development needs is also good. The targeted mortgage-backed securities (\$4.4 million) helped support the area's need for affordable housing. Equity investments in community development corporations and grants supported small business programs and services to LMI families.

Service Test

- ▶ The bank's delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank opened one branch and consolidated one branch following a bank acquisition. This branch consolidation did not adversely affect the accessibility of delivery systems, particularly in LMI geographies or to LMI individuals. The two branches in the assessment area provide similar services and business hours.
- ▶ The bank provided an adequate level of community development services. The bank contributed services to three community development organizations. This required approximately 14 hours of service on a monthly basis. Services included participation on various committees and on a Board of Directors.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in San Diego County MSA

The bank's CRA performance within the San Diego County MSA has a small impact on CNB's overall rating. As noted in the bank profile comment, CNB has a total of 35 branches with only 1 location (3%) in the San Diego County assessment area. The total dollar amount of small business, HMDA, and community development loans in this MSA is just 2% of the total for all the assessment areas. Total qualified investments represent 8% of the bank total, and community development services is 1% of monthly hours.

The brief conclusions for each of the performance tests follow. Please refer to **Appendix B** for the summary Tables supporting this analysis.

Lending Test

- ▶ CNB's lending activity is satisfactory considering this market has only one branch location. The total small business, HMDA and community development loan volume is \$26.9 million. As noted above, this represents just 2% of total loans for these categories within the assessment areas. CNB's market share of small business loans in 1996 was .41% in the San Diego assessment area, ranking them 16th by number of loans.
- ▶ The geographic distribution of small business and HMDA loans is poor with no loans originated in LMI geographies. The total small business loans numbered 72 (\$17.2 million), and HMDA loans totaled only 8 (\$4.2 million).
- ▶ The distribution of small business loans to businesses of different sizes is low, relative to business demographics. Twenty-five (25%) of small business loans were to businesses with annual revenues under \$1 million.. The demographics of businesses in the assessment area shows that 70% have annual sales under \$1 million. The distribution of small business loans by loan size is low, with 56% of the loans under \$100 thousand in size.
- ▶ Community development lending in the San Diego MSA is good with two loans totaling \$5.5 million for the period.

Investment Test

- The bank has a good volume of qualified investments. Investments in San Diego County were \$3.1 million, representing 7% of the bank's total.
- Responsiveness to credit and community development needs is satisfactory. Targeted mortgage-backed securities (\$3 million) helped support the area's need for affordable housing. Ongoing equity investment in two area community development corporations (\$50 thousand) supported small business development and education, and services targeted to LMI families. CNB also made grants totaling \$18 thousand to qualified organizations providing educational, health, and social services to LMI persons.

Service Test

- ▶ The bank's delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank has not opened or closed any offices during this examination period. There is only one branch in the assessment area and it provides services and business hours similar to the bank's other branches.
- ▶ The bank provides a limited level of community development services. The bank provided services to one community development organization requiring approximately one hour of service a month for committee participation.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Riverside-San Bernardino MSA

The bank's CRA performance within the Riverside-San Bernardino MSA has a small impact on CNB's overall rating. As noted in the bank profile comment, CNB has a total of 35 branches with 4 locations (11%) in the Riverside-San Bernardino MSA. The total dollar amount of small business, HMDA, and community development loans in this MSA is just 2% of the total for all the assessment areas. Total qualified investments represent 5% of the bank's total, and community development services are 6% of total monthly hours.

A brief conclusions for each performance test follows. Please refer to **Appendix B** for the summary Tables supporting this analysis.

Lending Test

- ▶ CNB's lending activity is satisfactory considering on branch location in this MSA. The total small business, HMDA and community development loan volume is \$26.9 million. As noted above, this represents just 2% of the bank's total loans for these categories within the assessment areas. CNB's market share of small business loans in 1996 was .27% in the Riverside assessment area, ranking them 21st by number of loans.
- ▶ The geographic distribution of small business loans is good. By number, 38% of small business loans are in LMI geographies compared to 25% of the tracts. Only two HMDA loans were originated in this assessment area, both in upper-income tracts.
- ▶ The distribution of small business loans to businesses of different sizes is reasonable, relative to the business demographics. Sixty percent of the small business loans were to businesses with annual revenues under \$1 million. The demographics of businesses in the assessment area shows that 74% have annual sales under \$1 million.. The distribution of small business loans by loan size is acceptable with 67% of loans under \$100 thousand.
- ▶ Community development lending in the Riverside-San Bernardino MSA is satisfactory with two loans totaling \$17.9 million for the period.

Investment Test

- CNB has a satisfactory volume of qualified investments. Qualified investments were \$2.2 million, representing 5% of the bank's total.
- Responsiveness to credit and community development needs of the community is adequate. The targeted mortgage-backed securities (\$2.2 million) helped support the area's need for affordable housing. The bank also made grants totaling \$12 thousand to three organizations which support job training, placement, and community child care facilities along with social services to LMI persons.

Service Test

- ▶ The bank's delivery systems are accessible to essentially all portions of its assessment area. The bank opened the four offices through the acquisition of Riverside National Bank. All offices offer similar products, services, and business hours.
- ▶ The bank provides an adequate level of community development services. The bank provided services to five community development organizations. This required approximately 13 hours of service on a monthly basis. Services included participation on various committees, Boards of Directors, and technical assistance.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Ventura County MSA

The bank's CRA performance within the Ventura County MSA has a small impact on CNB's overall rating. As noted in the bank profile comment, CNB has a total of 35 branches with 4 locations (11%) in the Ventura County MSA. The total dollar amount of small business, HMDA, and community development loans in this MSA is just 4% of the total for all the assessment areas. Total qualified investments represent 4% of the bank's total, and community development services are 5% of the total monthly hours.

The brief conclusions for each of the performance tests follow. Please refer to **Appendix B** for the summary Tables supporting this analysis.

Lending Test

- ▶ CNB's lending activity is satisfactory considering this is also a new market for the bank with limited branches in the MSA. The total small business, HMDA and community development loan volume is \$48.6 million. As noted above, this represents just 4% of the bank's total loans for these categories within the assessment areas. CNB's market share of small business loans in 1996 was .86% in Ventura County, ranking them 11th by number of loans.
- ▶ The geographic distribution of small business loans is satisfactory. By loan number, 28% of small business loans are in LMI geographies. HMDA distribution is poor, with only 6% LMI distribution. This is mitigated by the low number and volume of HMDA loans (32 loans for \$12.4 million).
- ▶ CNB's distribution of small business loans by loan size is satisfactory, with 63% of loans under \$100 thousand in size. In addition, 57% of loans are to businesses with annual revenues under \$1 million. The demographics of businesses in the assessment area shows that 76% have annual sales under \$1 million.
- ▶ Community development lending in the Ventura County MSA is satisfactory with two loans totaling \$4.1 million for the period.

Investment Test

- The bank has a satisfactory volume of qualified investments. Qualified investments in Ventura County were \$1.5 million, representing 4% of the bank's total. As CNB only recently entered the Ventura market, and because of limited investment opportunities, the investment level is reasonable.
- Responsiveness to credit and community development needs of the community is adequate. CNB's investment in targeted mortgage-backed securities (\$1.4 million) helped support the area's need for affordable housing. The bank also made grants (\$20 thousand) to five organizations which support small business development and provide educational and vocational training programs which are also identified needs.

Service Test

- ▶ The bank's delivery systems are accessible to essentially all portions of its assessment area. The bank acquired four offices after its acquisition of Ventura County National Bank. All offices offer similar products and services.
- ▶ CNB provides an adequate level of community development services. The bank provided services to five community development organizations. This required approximately 11 hours of service on a monthly basis and 30 hours on a one-time basis. Services included participation on committees, Board of Directors, fund raising efforts, and first time home buyers seminars.

Appendix A: Scope of Examination

Our evaluation of City National Bank's CRA performance covered the performance period beginning January 1996 through June 1997. We applied the Interagency procedures and guidelines for Large Retail Institutions in our review. Loan products evaluated included the bank's HMDA loans for the period, small business loans, and other loans which qualified as community development. We did not consider any affiliate loans in this analysis.

As noted in the **Description of the Assessment Areas** comment, we reviewed numerous community contacts reported over the previous two years. Examiners also spoke with three organizations dealing with the need for affordable housing, small business financing, and services targeted to LMI families. The following table provides an overview of our examination scope.

Scope of the Examination

Time Period Reviewed	January 1, 1996 through June 30, 1997		
Financial institution City National Bank, Beverly Hills, CA	Products reviewed Small business, Small farm, HMDA products, and community development loans.		
Affiliate(s) None.	Products reviewed Not applicable.		
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
California Los Angeles County, MSA 4480 Orange County MSA 5945 San Diego County, MSA 7320 City of Riverside, MSA 6780 Ventura County MSA 8735	on-site	1	Reviewed consolidated loan information for all assessment areas, as well as community contacts and community development activities.

Appendix B: Additional Tables

Table 13 Volume of Small Business, HMDA, and Community Development loans. Also, Percentage Comparison to Dollar Volume in All Assessment Areas *.								
Loan Product	Orange County		San Diego		Riverside		Ventura County	
	\$	%	\$	%	\$	%	\$	%
Small Business	137,359	18%	\$27,511	4%	8,949	1%	23,488	3%
HMDA	15,238	5%	\$4,250	1%	328	0%	12,398	4%
Community Development	1,325	1%	\$5,500	4%	17,900	14%	4,100	3%
Grand Total by Area	153,922	13%	\$37,261	3%	27,177	2%	39,996	3%

* The percentages are based on the total CNB lending by category. Small business loans include those with annual revenues over \$1 million.

Table 14 Distribution of Small Business Originations in 1996 and YTD 1997 Within Four of the Five Assessment Areas By Loan Size and Business Revenues *												
Loan Size	Orange County			San Diego			Riverside			Ventura County		
	#	%	<1Mil	#	%	<1Mil	#	%	<1Mil	#	%	<1Mil
less than \$100,000	181	57%	33%	40	55%	27%	43	67%	58%	130	57%	54%
\$100,000 to \$250,000	61	19%	19%	7	10%	20%	11	17%	67%	34	17%	61%
\$250,000 to \$1,000,000	78	24%	21%	25	35%	25%	10	16%	60%	41	26%	60%
Totals	320	100%	27%	72	100%	25%	64	100%	60%	205	100%	57%
** Demographics <\$1Mil	76%			70%			74%			76%		

Source: Business Demographic Data and Bank prepared Small Business and Farm Data Collection Register.

* Note that the percentage of loans to businesses with annual revenues under \$1 million is based on those loans with known revenues.

** Demographics refer to the percentage of businesses in the assessment areas with annual sales under \$1 million.

Table 15
Distribution of Small Business and HMDA Originations for 1996 through June 1997,
by Number, Within Each Assessment Areas
By Income Level of the Census Tract

Assessment Area	Low-Income		Mod-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Orange County Assessment Area/ Demographics		3%		24%		44%		27%
Small Business Loans	13	5%	98	33%	87	29%	98	33%
HMDA Loans	0	0%	2	5%	11	28%	27	67%
San Diego County Assessment Area/ Demographics		1%		7%		43%		49%
Small Business Loans	0	0%	0	0%	24	33%	48	67%
HMDA Loans	0	0%	0	0%	1	13%	7	88%
Riverside County Assessment Area/ Demographics		4%		21%		61%		14%
Small Business Loans	0	0%	24	38%	29	45%	11	17%
HMDA Loans	0	0%	0	0%	0	0%	2	100%
Ventura County Assessment Area/ Demographics		3%		30%		45%		22%
Small Business Loans	5	3%	52	26%	84	42%	60	29%
HMDA Loans	0	0%	2	6%	8	25%	22	69%

Source: Business Demographic Data and Bank prepared Small Business and HMDA Registers.

**Table 16
CNB's Qualified Investments
in Each Assessment Area**

Assessment Area	Amount (000's)	% Total CD
Los Angeles County	\$30,265	73%
Orange County	\$4,470	11%
San Diego County	\$3,148	7%
City of Riverside	\$2,198	5%
Ventura County	\$1,491	4%
Total Bank	\$41,572	100%