



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cupertino National Bank & Trust
Charter Number 18595**

**20230 Stevens Creek Boulevard
Cupertino, CA 95014**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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

GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Cupertino National Bank & Trust prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 24, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Cupertino National Bank & Trust (CNBT) has an adequate loan to deposit ratio and has an acceptable level of loan penetration among businesses of different sizes. The majority of the bank's loans are made within its assessment area, and their geographic distribution is reasonable.

The following table indicates the performance level of *Cupertino National Bank & Trust* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Cupertino National Bank & Trust Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	There have been no CRA complaints since the last CRA Public Evaluation.		

DESCRIPTION OF INSTITUTION:

Cupertino National Bank & Trust (CNBT) is a full-service commercial banking institution located in Cupertino, California. CNBT provides general banking services to residents of Santa Clara County. It is a wholly owned subsidiary of Greater Bay Bancorp, a two-bank holding company.

In November, 1996 CNBT's holding company merged with Greater Bay Bancorp (GBB). GBB became the surviving entity and now wholly owns two subsidiaries, CNBT and Mid-Peninsula Bank.

GBB has total assets of \$622,040,000 as of 12/31/96.

CNBT began operations in 1985 and as of 12/31/96 has total assets of \$340,514,000. The bank operates four full-service branch offices within their assessment area. The bank's focus is primarily commercial and construction lending. As of 12/31/96, the majority of the bank's loan portfolio by dollar amount was comprised of 40% commercial loans, 32% real estate, 7% consumer, and 4% Small Business Administration (SBA) loans.

Local competition consists primarily of community banks, and local branches of regional and multinational banks. These banks are involved in a variety of lending which includes real estate, commercial and consumer loans. CNBT's previous CRA examination was March 31, 1995 where they received an overall rating of "Satisfactory" in meeting the credit needs of their community. The bank has no legal or financial impediments in meeting the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA:

The board of directors and senior management have determined the bank's assessment area to be approximately one quarter of the 1,293 square miles of Santa Clara County. The community is effectively the urban northwest corner of Santa Clara County, bordering San Mateo County to the north and west, and Santa Cruz County to the southwest. The bank's assessment area complies with the regulation and does not arbitrarily exclude low- or moderate-income areas.

According to the 1990 census, the 284 census tracts that comprise CNB's assessment area have a population of 1,416,032. The 1990 U.S. Census MSA median family income is \$53,771 and the median housing value is \$271,200. Of the 284 census tracts in this assessment area, ten are low-income tracts, 56 are moderate-income tracts, 151 are in middle-income tracts and 66 are in upper-income tracts. The one remaining tract is undeveloped and has no population. According to Regional Employment & Income Series data, the primary employers in the county are in the service and manufacturing industry which account for 34% and 24% of employment, respectively. The manufacturing sector consists primarily of the aerospace and computer industries.

The economy of Santa Clara County is very strong and is considered fully recovered from the recessionary downturn from a few years ago. Local competition consists primarily of community banks, and local branches of regional and multinational banks. These banks are involved in a variety of lending which includes real estate, commercial and consumer loans. Through our contact with bank management and a local community development corporation, the primary credit needs of the community are low income housing, small businesses, and housing rehabilitation. Although credit is generally available for new affordable housing, construction is not prevalent because the high cost of real estate makes these projects unfeasible without grant money. Housing rehabilitation has become an alternative to affordable housing construction, however, longer-term rehabilitation financing is not readily available.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

- **The bank's loan to deposit ratio is reasonable, given the bank's size, financial condition and assessment area credit needs.**

For this evaluation, we calculated the bank's average loan to deposit ratio for the past eight quarters beginning 12/31/94 and ending 9/30/96. During this period, CNBT's average loan to deposit ratio was 72%. This ratio is higher than the local peer group average of 60% for the same time period. The local peer group is comprised of ten similarly situated community banks operating within the same assessment area. CNBT also compares favorably with a peer group consisting of 264 community banks located in California, which averaged 69% for the same period.

Lending in the Assessment Area

- **The majority of loans and other lending related activities are in the bank's designated assessment area.**

A review of maximum credit balances for loans that originated in 1996 demonstrated that a reasonable majority of loans were made within CNBT's assessment area of Santa Clara County. The term "maximum credit balances" is defined as the current balance outstanding on term loans and the maximum borrowing availability on lines of credit. During this period the bank made 961 loans with maximum credit balances of \$236,293,596. Of these, 725 or 75% were made within the bank's assessment area. By dollar amount, \$176,577,877 or 75% were made within CNBT's assessment area.

Lending to borrowers of different incomes and to businesses of different sizes

- **CNBT's record of lending to businesses of different sizes is adequate. Borrower income was not analyzed due to CNBT's small percentage of consumer lending.**

To analyze the level of lending to small businesses, we used the proxy method. This method analyzes the bank's lending by loan size, and then samples smaller loans to establish a correlation between loan size and business size. Under this approach, we reviewed 382 commercial loans, totaling \$148,251,949 originated from 6/01/96 to 12/31/96.

Commercial Loan Originations by Loan Size (6/01/96 - 12/31/96)

Loan Size	Number of Loans	Percentage of Lending
Less than \$100,000	161	42%
\$100,001-\$250,000	82	21%
\$250,001-\$500,000	66	17%
\$500,001-\$1,000,000	43	11%
Greater than \$1,000,000	30	9%

The chart above shows that the majority of the bank's loans were originated for \$250,000 or less. From that group, we sampled 35 loans and found that 26% were made to businesses with annual revenue of less than \$1,000,000. CNBT's efforts and level of lending shows a reasonable commitment to meeting small business credit needs within their assessment area.

Geographic Distribution of Loans

- **The geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area.**

A review of maximum credit balances for loans originated in 1996 reflects a reasonable dispersion of credit throughout CNBT's assessment area of Santa Clara County. The percentage of the bank's loans located in low- and moderate-income census tracts is similar to the percentage of census tracts within the assessment area, as exemplified in the table below:

Geographic Distribution of Loans

Tract Income	Tracts	%	Loans #	%	Loans \$ (000)	%
Low	10	4	34	6	11,594	7
Moderate	56	20	113	20	28,058	17
Middle	151	53	206	36	80,838	50
Upper	66	23	220	38	40,970	26
Total	283	100	573	100	161,460	100

Response to Complaints

CNBT has not received any complaints regarding the bank's CRA performance since the last CRA examination in March, 1995.

Services

CNBT has provided many services to enhance the availability of credit within their assessment area:

- CNBT has “Preferred Lender” status from the Small Business Administration (SBA). The bank provides underwriting and loan packaging services to the SBA under this status, which facilitates small business lending. In 1996, the bank funded 54 SBA loans totaling \$12,134,024. CNBT ranked sixth in number of loans originated and fourth in total SBA dollars funded for all financial institutions located in Northern California.
- CNBT donates time and management expertise to many organizations that promote credit availability within their assessment area. These organizations include: City of Cupertino Housing Rehabilitation Program, Bay Area Association of Government Guaranteed Lenders, and the Bay Area Small Business Development Corporation.

- In 1996, CNBT donated \$1,009 to print brochures for Cupertino Affordable Housing Coalition. These brochures were used to promote and facilitate affordable housing in the Cupertino area.
- In 1996, CNBT also made other donations totaling \$9,958 to various community groups located within the bank's assessment area of Santa Clara County.
- In 1996, CNBT sponsored three “CRA Advisory Lunches” with local non-profit organizations, chamber of commerce, etc. The purpose of these meetings is to determine what the credit needs of the community are and to determine if the bank can provide financing for any of their projects.
- CNBT offers other alternative delivery and banking systems that facilitate credit availability within Santa Clara County. This includes courier delivery and computer based-banking.

Other Items

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. These include the Equal Credit Opportunity Act, the Fair Housing Act and the Home Mortgage Disclosure Act. Based on our loan sample, we found no evidence of disparate treatment or prohibited discrimination against any protected classes.