



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

AUGUST 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NATIONAL BANK OF CALIFORNIA
Charter Number 17480**

**145 SOUTH FAIRFAX AVENUE
LOS ANGELES, CA 90036**

<p>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.</p>

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 **NATIONAL BANK OF CALIFORNIA (NBC)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 14, 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**”.

- A substantial majority of the bank's loans are made to borrowers within the assessment area.
- The bank's loans are reasonably distributed among borrowers of various income levels within the assessment area.
- NBC's loans are reasonably dispersed among all income levels throughout the assessment area.
- The bank's loan to deposit ratio is reasonable despite intense market competition.

DESCRIPTION OF INSTITUTION:

National Bank of California, which opened on October 19, 1982, is headquartered in the Fairfax district of the City of Los Angeles. In addition to the main office, NBC also operates a branch located in the Beverly Center, a shopping mall one mile northwest of the main office. However, NBC will close the Beverly Center Branch on August 19, 1997, due to the lack of business (currently, the branch has only 150 accounts). In order to reduce the impact of the branch closure and continue its service to NBC customers, the bank will maintain two automated teller machines (ATM's) at the shopping mall. As of June 30, 1997, NBC reported total assets of \$117 million. The bank had a satisfactory CRA rating at the October, 1994 OCC examination.

NBC is a commercial bank. Its lending focus is small- and medium-sized businesses. The bank is designated a preferred lender by the Small Business Administration (SBA). Approximately 56% of the bank's loan portfolio are commercial and commercial real estate loans, 38% of the bank's total loans are the retained portions of the SBA loans, and 4% are automobile loans. The bank also services approximately \$50 million of SBA loans that were originated and sold in prior years. Competition among financial institutions serving the assessment area is intense. There are many community banks, branches of regional and multi-national banks, and savings and loan associations competing for the available business.

DESCRIPTION OF ASSESSMENT AREA:

NBC's assessment area consists of 1,530 census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The bank has not arbitrarily excluded low- and moderate-income census tracts from its assessment area. Of the 1,530 tracts in the assessment area, 145 are designated as low-income and 368 as moderate-income. There are 500 middle- and 499 upper-income tracts. Additionally, there are 18 tracts for which the 1990 census did not report income information. These 18 census tracts cover areas like the airport, harbor, bay, canal, etc. which reported insufficient or no census data.

Southern California's economy has been dominated by the aerospace, defense, and real estate industries. However, when the local economy was in recession in the late 1980's and early 1990's, the real estate market suffered major setbacks. The aerospace and defense industries also suffered severely when the defense budget was cut in the early 1990's. Today, the local economy appears to be improving slowly, the unemployment rate is falling, and job opportunities are gradually increasing.

Within the bank’s assessment area, there are 75 incorporated cities and a number of communities. The 1990 census reported a population of 8,042,629 persons residing within the assessment area. The population included 312,003 unemployed persons and 795,536 individuals over the age of 65. Rental units accounted for 54% of the total housing stock. The 1990 MSA median family income was \$39,035.

Our five contacts with community organizations indicate that there are needs in the assessment area for low-cost banking services and loans for small businesses, affordable housing construction, and rehabilitation of existing housing stock. Our contacts include a community development credit union, an SBA district office, a university-sponsored business network, and two community development corporations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING IN ASSESSMENT AREA

NBC’s record of lending within the assessment area exceeds the standards for satisfactory performance. A substantial majority of the bank’s loans originated between July 1, 1995, and June 30, 1997, were made to borrowers within the assessment area, according to information provided by the bank. Refer to the chart below for details. We sampled 50 commercial loans and were able to confirm the bank’s information.

Loans Made within Assessment Area

Total Loans by Number and Dollar Amount	Total Loans Made Within the Bank’s Assessment Area	Percent of Total Loans Made within the Bank’s Assessment Area
760	584	76.84%
\$84,009M	\$61,058M	72.68%

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

NBC’s loans are reasonably distributed among borrowers of various income levels within the assessment area and meet the standards for satisfactory performance. More than 42% of the number of loans originated between July 1, 1995, and June 30, 1997, consisted of commercial loans to businesses. We reviewed a sample of 50 commercial loan files which showed that 50% of the number of loans are made to businesses with gross annual revenues less than \$1,000,000, and the other 50% of the loans are made to businesses with gross annual revenues exceeding \$1,000,000. A majority (72%) of the bank’s 246 commercial loans originated within its assessment area during the last two years are for amount less than \$250,000. Refer to the chart below for details.

The bank also originated over \$2,500,000 in loans to rehabilitate two earthquake-damaged multi-family residences in the Hollywood and Northridge neighborhoods. Both projects received assistance from the federal Low Income Housing Tax Credits program.

Size of Commercial Loans within Assessment Area

Size of Loans	Number of Loans	Percent of Commercial Loans
<\$100,000	134	54%
\$100,000 to <\$250,000	44	18%
\$250,000 to <\$500,000	37	15%
\$500,000 to <\$1,000,000	26	11%
\$1,000,000 and Over	5	2%
Total	246	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's loans are reasonably dispersed among all income levels throughout the assessment area and meet the standards for satisfactory performance. The geographic distribution of loans is impacted by NBC's business focus. Refer to the charts below for details. Loans are reasonably distributed among various low- and moderate-income tracts.

Distribution of Loans by Numbers within Assessment Area

Income Characteristics of Census Tract	Percent of Total Census Tracts	Number of Loans	Percent of Loans
Low Income	9%	52	9%
Moderate Income	24%	85	15%
Middle Income	33%	137	23%
Upper Income	33%	310	53%
Total	99%	584	100%

Distribution of Loans by Dollars within Assessment Area

Income Characteristics of Census Tract	Percent of Total Census Tracts	Dollars Loaned	Percent of Dollars Loaned
Low Income	9%	\$ 9,464,299	15%
Moderate Income	24%	\$11,544,599	19%
Middle Income	33%	\$15,783,994	26%
Upper Income	33%	\$24,264,843	40%
Total	99%	\$61,057,735	100%

LOAN TO DEPOSIT RATIO

NBC's loan-to-deposit ratio is in line with those of its peers and meets the standards for satisfactory performance. The bank reported an average loan-to-deposit ratio of 56.4% over the last eight quarters as of December 31, 1996. The average loan-to-deposit ratio of eight banks having similar asset size and business focus within the assessment area was 57.7%. NBC has begun to increase its loan portfolio and the ratio has improved since the third quarter of 1996. As of March 31, 1997, the ratio was 65.8%. These loan-to-deposit ratios do not include SBA loans originated and sold during these time periods.

RESPONSE TO COMPLAINTS:

NBC has not received complaints associated with its performance under the provisions of the CRA since the last OCC examination in June, 1995.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATORY LAWS:

We did not identify any violations of anti-discriminatory laws or regulations.