



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 26, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Landmark National Bank
Charter Number 24296**

**937 Lomas Santa Fe Drive
Solana Beach, CA 92075**

**Comptroller of the Currency
Southern California South Field Office
1925 Palomar Oaks Way, Suite 202
Carlsbad, CA 92008-6526**

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING

This institution is rated “Satisfactory”.

The major factors that support this rating include the following:

- ❑ The average loan-to-deposit ratio of 59 percent is reasonable.
- ❑ The majority of loans and other lending-related activities occur in the bank's assessment area (AA).
- ❑ The business loan distribution reflects reasonable penetration among businesses of different sizes.
- ❑ The geographic loan distribution reflects reasonable dispersion throughout the assessment area.
- ❑ There have not been any public complaints about the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Landmark National Bank (LNB) is a community-focused commercial and retail bank located in the city of Solana Beach, California. As of December 31, 2004, the bank had assets of \$68 million with net loans totaling \$51 million. The percentage of net loans to total assets was 75 percent. The bank opened for service on August 26, 2002. The bank's main office and branches are located in upper-income tracts. The two branches are located in La Jolla, California. LNB has an ATM located at the main office in Solana Beach and an ATM at the branch in La Jolla. This is the bank's first CRA examination.

LNB is a full-service community bank offering a variety of commercial and retail banking products and services. The bank tailors its commercial products to small and medium sized businesses. Consumer loans include home equity lines of credit, residential, residential construction, and installment loans. Commercial loans include lines of credit, construction, land acquisition, and land development loans.

In September 2004, the U.S. Small Business Administration (SBA) designated the bank as a "Preferred Lender." Preferred Lender status provides commercial customers faster turnaround on SBA loan applications because it allows the bank to approve loans with only a minimal review by the SBA. To earn this designation lenders must establish a successful track record and display a thorough understanding of SBA lending policies and procedures. The bank processes SBA 7(a) and SBA 504 loan applications. The SBA 7(a) program is a federally sponsored program that provides loan guarantees for profit-motivated small businesses that otherwise could not obtain conventional bank loans. The SBA 504 program is used for the purchase or construction of owner-occupied commercial real estate. As of December 31, 2004, LNB originated \$3.6 million in SBA loans.

Deposit products available to LNB customers include individual and business checking accounts, interest bearing checking accounts, and money market accounts. Alternate delivery systems include online banking, which is available to customers at no charge (business customers pay a

fee); VISA check card (to access individual and business accounts); telephone banking; and night drop services. LNB reimburses customers for fees imposed by merchants and other financial institutions for the use of their ATMs or point of sale services. In addition, the bank provides financial and community services to White Sands of La Jolla Retirement Community by offering onsite banking services twice a week.

There are currently no legal, financial, regulatory, or other factors impeding the bank's ability to meet the credit needs of its assessment area.

Table 1 lists the outstanding loan balance of the bank's major loan products.

Table 1

LOAN PORTFOLIO COMPOSITION		
March 31, 2005		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial	65,169	80%
1-4 Family Residential	15,094	18%
Consumer	1,318	2%
Total:	81,581	100%

*Source: 12/31/04 Gross Loans

We reviewed a sample of commercial loans (the bank's primary loan product) that originated between January 2003 and December 2004. We combined the data for 2003 and 2004 to evaluate the income-level and geographic distribution criteria since our analysis of demographic data showed no measurable differences between the two years.

Please refer to the bank's CRA public file for more information about the institution.

DESCRIPTION OF SAN DIEGO ASSESSMENT AREA

Landmark National Bank has delineated an assessment area (AA) that includes the western portion of San Diego County. The AA contains 166 census tracts comprised of 16 percent defined as moderate-income geographies, 36 percent as middle-income, and 48 percent as upper-income. There are no low-income geographies in the assessment area. The AA includes the cities of Oceanside, Carlsbad, San Marcos, Encinitas, Solana Beach, Rancho Santa Fe, Del Mar, Cardiff-by-the-Sea and La Jolla. The assessment area meets the requirements of the regulation, and it does not arbitrarily exclude low- or moderate-income geographies.

The San Diego-Carlsbad-San Marcos Metropolitan Statistical Area consists of San Diego County, which is the southern-most major metropolitan area in California. Orange and Riverside counties border San Diego County on the north. To the east is Imperial County; to the west is the Pacific Ocean; and to the south is Mexico. San Diego County includes 4,261 square miles of urban and rural land. The 2000 U.S. Census indicates a population of 2,813,833, a 13 percent

increase over the 1990 Census. The San Diego Regional Planning Agency projects another 38 percent in population growth over the next 20 years.

The overall area is comprised of 19 jurisdictions including 18 cities, of which the city of San Diego is the largest with a population of 1.3 million. The most heavily populated areas are located along the coast, where jobs are concentrated in the military, biotechnology, commercial, international trade, tourism, and professional services. Businesses seeking to take advantage of the North American Free Trade Agreement ("NAFTA") have benefited from the region's location on the Pacific Rim and its proximity to the Mexican border (17 miles from downtown San Diego).

San Diego is the sixth largest city in the country and the second largest in California. The Milken Institute labeled the city as the top-performing city in the state for job, wage, and salary growth, along with high-tech output. According to the same study, it is the fifth top-performing city in the country. Business opportunities exist in the county in the form of a workforce with access to several institutes of higher learning, including the University of California at San Diego, San Diego State University, the University of San Diego, and other private colleges, community colleges, and vocational schools. There is a good employee base with a median age of 32. Telecommunications, software, and biotech are the fastest growing industries. San Diego's unemployment rates were just under 4 percent in 2004, comparing favorably to California at 5.5 percent, and the nation at 6 percent rate.

Banking competition is strong with numerous large, regional, and community banks and other financial service providers. The largest banks offering commercial and consumer financial products include Bank of America, Washington Mutual Bank, Wells Fargo Bank, Union Bank of California, California Bank and Trust, and Citibank. Often such large institutions have the advantages of brand recognition and marketing power over smaller local institutions.

In conjunction with this CRA examination, we conducted a community contact interview. Community contacts are interviewed to learn about credit opportunities within the community and how well financial institutions address the credit and service needs of the community. The contacts for this examination were individuals from two non-profit economic development agencies. These contacts identified the need for affordable housing and workforce housing in San Diego County. In addition, there is a credit need for equity capital for small businesses.

Please refer to the bank's CRA public file for more information about the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is an indicator of a bank's willingness to lend. LNB's degree of lending is satisfactory given its size, the limited amount of time the institution has been open, the credit needs of the assessment area, and the competitive banking market within the assessment area. We analyzed the bank's quarterly LTD ratio from October 2002 to December 2004 (nine quarters). During this period, the LTD ratio averaged 58.74 percent. The bank reported a LTD of 22.02 percent for 4Q2002, which was its first full quarter of operations after opening on August 26, 2002. Since then, the LTD ratio has steadily increased, reaching 83.57 percent by year-end 2004.

We compared the bank's LTD ratio with that of peer banks in San Diego County that have similar demographics, asset size, and lending products. This peer group consists of nine financial institutions, ranging in total asset size from \$68 million to \$169 million. The average quarterly LTD ratio for the peer group was 74.89 percent, compared to 58.74 percent for Landmark. The bank's LTD ratio is satisfactory, and it meets the standard for satisfactory performance.

Lending in Assessment Area

A majority of loans and other lending-related activities occur in the bank's assessment area. The analysis of lending in the assessment area included a sample of commercial loans originated from January 2003 through December 2004. We found that 57 percent of loans (by number) and 58 percent (by dollar volume) were originated within the AA.

The bank needs to originate at least 50 percent, both as a percentage of the number of loans and the dollar volume of loans, within their assessment area in order to meet the standard for satisfactory performance in this criterion. As a result, the bank's lending to businesses within the assessment area meets the standard for satisfactory performance.

Lending to Businesses of Different Sizes

Given the demographics of the assessment area, the bank's distribution of loans reflects reasonable penetration among businesses of different sizes. We selected a random sample of 20 commercial loans to evaluate the bank's performance. LNB originated these loans within the bank's assessment area between January 2003 and December 2004.

We compared the bank's lending to businesses in the assessment area to the demographics of small businesses within the assessment area. Small businesses are those with gross revenues of \$1 million or less.

Table 2 displays the bank's lending practices based on our sample of commercial loans.

Table 2

Income Distribution of Loans to Businesses San Diego Assessment Area Years 2003-2004		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	63%	7%
% of Bank Loans in AA by #	70%	30%
% of Bank Loans in AA by \$	59%	41%

* Demographic Data Source: 2004 Dun & Bradstreet - 28% of AA businesses did not report revenue data

The table indicates that 70 percent (by number of loans) and 59 percent (by dollar volume) of the bank's commercial originations were to borrowers with gross annual revenues of \$1 million or less. This was consistent with the Dun & Bradstreet data, which shows that 63 percent of reporting businesses had gross annual revenues of \$1 million or less. Consequently, the bank meets the standard for satisfactory performance.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. We reviewed the pattern for geographic distribution of lending between low- and moderate-income tracts within the assessment area. The bank has no low-income tracts and 26 moderate-income tracts. Table 3 details the bank's commercial lending activity within the assessment area. We used the same sample of loans from the **Lending to Businesses of Different Sizes** section of this performance evaluation.

Table 3

Geographic Distribution of Loans to Businesses San Diego Assessment Area								
Census Tract Income Level ¹	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses
2003 – 2004 Sample ¹	0%	0%	10%	13%	30%	36%	60%	51%

Demographic Data Source: ¹ 2004 Dun & Bradstreet

The table indicates lending in moderate-income tracts is slightly below the demographics of the

assessment area and meets the standard for satisfactory performance.

Responses to Complaints

LNB has not received any written complaints associated with its performance under the Community Reinvestment Act.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.