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Community Reinvestment Act Performance Evaluation

Cupertino National Bank and Trust
Charter Number: 18595

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NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

General Information	1
Definitions and Common Abbreviations	2
Overall CRA Rating	4
Description of Institution	5
Scope of Evaluation	6
Fair Lending Review	7
Conclusions with Respect to Performance Tests	
Lending Test	8
Investment Test	12
Service Test	13
Appendix A: Scope of Evaluation	A-1
Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews	B-1
Appendix C: Tables of Performance Data	C-1

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 **Cupertino National Bank & Trust (CNBT)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 18, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Outstanding**.

The following table indicates the performance level of **Cupertino National Bank & Trust** with respect to the Lending, Investment, and Service Tests:

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

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

The major factors that support this rating are:

- < CNBT’s lending activity displays excellent responsiveness to the credit needs of its assessment area (AA), as evidenced by the high volume of small business loans.
- < CNBT’s distribution of small business loans by income level of geography demonstrates a good responsiveness throughout its AA, especially in low-income geographies where the distribution exceeds the demographic distribution of businesses.
- < CNBT’s dispersion of small business loans by size of business is good.
- < CNBT’s volume of Community Development (CD) lending is high and demonstrates an excellent responsiveness to CD lending needs in the AA.
- < The bank’s investment activity is substantial and demonstrates an excellent responsiveness to the identified needs of the LMI population and geographies within its AA.
- < CNBT demonstrates a good level of CD services. The bank’s retail banking services are reasonably accessible to its business customer base.

Description of Cupertino National Bank & Trust

Cupertino National Bank and Trust (CNBT) is a full-service, business oriented intrastate bank located in Cupertino, California. It is a wholly owned subsidiary of Greater Bank Bancorp (GBB), a six bank holding company headquartered in Palo Alto, California. CNBT provides general banking services to residents of Santa Clara County. The bank's defined AA 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 AA is based on geographic boundaries and includes 284 of the 385 census tracts (CTs) in Santa Clara County, which comprises the San Jose MSA. The delineation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

The bank operates five full-service branches within the AA. There are two branches located in Palo Alto, and one each in Cupertino, San Jose, and Santa Clara. The only branch CNBT opened during the evaluation period was the Santa Clara branch which opened November 1998. The bank also operates three Automated Teller Machines (ATMs). The ATMs, which are attached to the Cupertino and Palo Alto branches, provide customers with both deposit and cash withdrawal capabilities. The bank also provides two cash dispensing ATMs at the Santa Clara County Fair Grounds.

CNBT began operations in 1985. As of September 30, 1999, CNBT had total assets of \$943 million and Tier 1 capital of \$69 million. Net loans totaled \$662 million and represented 70% of total assets. Based on dollar volume, the bank's loan portfolio was comprised of 48% real estate loans, 43% commercial loans, 7% consumer loans, and 2% other loans.

The holding company for the GBB family of banks and financial services reported total assets of \$2.3 billion as of September 30, 1999. GBB was formed when Cupertino National Bancorp and Mid-Peninsula Bancorp joined forces on November 27, 1996. CNBT is a sister bank to Peninsula Bank of Commerce in Millbrae; Golden Gate Bank in San Francisco; Bay Area Bank in Redwood City; and, Bay Bank of Commerce in San Leandro. The six banks have a total of fourteen offices throughout Northern California and serve clients in the Bay Area, East Bay and Silicon Valley. GBB recently announced its plans to purchase Mt. Diablo National Bank located in Danville, California. They expect the acquisition to be completed in the first Quarter of 2000. In September 1999, Fortune Magazine rated GBB 81st in the 100 Fastest-Growing Companies in the United States.

CNBT is primarily a business lender, with a focus on commercial and construction lending. Consumer loan products are available as accommodations to CNBT's customers. CNBT operates in a competitive banking environment. There are 77 financial institutions in the bank's AA which consist primarily of community banks, and local branches of regional and multinational banks. These banks are involved in a variety of lending including real estate, commercial, and consumer loans.

CNBT was rated "Satisfactory" at the previous CRA examination as of February 24, 1997. The bank has no legal or financial impediments in meeting the credit needs of its community.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses information from the previous examination on February 24, 1997 through October 18, 1999. The evaluation period for our review of CNBT's small business loan originations covers the period from January 1, 1998 through September 30, 1999. The focus of our lending review was on small business loans since this is CNBT's primary market niche. We did not utilize 1997 data since the bank inadvertently failed to disclose small business loans to companies with gross revenues over \$1 million, resulting in understated market share information. Also, we did not review residential mortgage loan originations. Because the bank offers residential mortgage loans as an accommodation to their customers, the nominal volume would not contribute significantly to the evaluation of CNBT's overall performance. Our review of CNBT's retail banking services and CD loans, investments and services covers the periods from February 24, 1997 through October 18, 1999. Appendix A contains additional details on the scope of this PE.

Data Integrity

We performed a data integrity review of 1998 CRA data in mid 1999. Our sample consisted of small business loans, CD loans and investments. We found the data to be substantially correct and were able to rely on the bank's year to date 1999 data as well. This time frame was sufficient to assess the bank's performance during the evaluation period. For reasons stated above, 1997 loan data was not used.

Selection of Areas for Full-Scope Review

CNBT has only one identified AA. We performed a full-scope review of the Cupertino AA, which is comprised of 284 CTs in Santa Clara County and includes all the branches.

Ratings

The bank's overall rating is based on the full-scope review of the Cupertino AA. In arriving at CNBT's overall record of performance, we assessed activities under the Lending, Investment, and Service Tests in the AA. The rating methodology is structured such that the Lending Test weighs most heavily of the three tests in the final determination.

Other

As part of our examination, we considered banking opportunities and information regarding the area's community needs obtained from five organizations. We spoke with representatives of an economic development organization and reviewed recent contacts initiated by other regulatory agencies. The contacts were primarily with organizations involved in small business lending, economic and community development, and affordable housing. The individuals contacted identified small business lending and

low income/affordable housing as the most pressing needs. They indicated opportunities for participation by local financial institutions are limited.

Fair Lending Review

In conjunction with this CRA evaluation, we performed a fair lending examination of CNBT. We reviewed policies and procedures, and utilized the loan terms approach to conduct a comparative file review of automobile installment loans granted in 1999. The file review consisted of a comparative analysis of loan terms extended to female applicants versus male applicants. Our objective was to determine if CNBT's policies and practices provide for consistent terms to applicants without regard to the borrowers gender.

Based on the findings of this review:

- < CNBT satisfactorily complies with the antidiscrimination laws. We found no evidence of illegal discrimination or disparate treatment being applied on a prohibited basis.
- C No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.
- C CNBT has a satisfactory process in place to help ensure ongoing compliance with fair lending laws.

Conclusions with Respect to Performance Tests

LENDING TEST

CNBT's performance under the Lending Test is rated Outstanding. We focused on CNBT's small business lending because this is the bank's primary market niche. Since small business lending is an identified need in this AA, CNBT's strong performance in this product line carries significant weight. A significant volume of CD loans enhances lending performance.

Lending Activity

Refer to Table 1 and Table 5 in Appendix D for the facts and data used to evaluate the bank's lending activity.

CNBT originated 390 reportable small business and CD loans in the AA during the evaluation period. In 1998, CNBT's market rank in its AA for small business loans, its primary product, was 13. This compares favorably to its market rank for deposits, which was 14. Also, the bank's loan-to-deposit percentage was above 80% for the last four available reporting periods, ending June 30, 1999. That is a comparatively high percentage for banks in Santa Clara County with total assets of less than \$1 billion. These statistics are indicative of an excellent volume of lending in relation to Cupertino's size and capacity.

Market share analysis further supports a conclusion that the bank is responsive to the need for small business loans in its community. CNBT's market share for small business loans, at 1.37% in 1998, is reasonably close to its market share for total deposits of 1.80%. Two of the largest volume small business lenders in the AA are credit card companies that do not take FDIC insured deposits. This tends to distort the bank's loan market share downward in comparison to its deposit market share. Taking into consideration that important characteristic of the market, CNBT's market share for small business loans and deposits indicate the bank is relatively effective at reinvesting deposits funds into a loan product which community groups inform us is an important need in the community.

Small Business Loans

In this AA, small business lending activity is dominated by four large financial service providers, by number of loans made. Cupertino is not in that group. Together, the four dominant lenders held almost 70% of the market share in 1998. Performance expectations for Cupertino's small business lending activity should be framed in this context.

Distribution of Loans by Income Level of the Geography

Refer to Table 5 in Appendix D for the facts and data used to evaluate the distribution of loans by income level of the geography.

The geographic distribution of small business loans is good. This conclusion is supported by CNBT's success in generating a pattern of loan activity which exceeds the demographic distribution of businesses in low-income geographies. The percentage of small business loans that were made to borrowers in low-income geographies is considerably above the percentage of businesses located in these geographies. In moderate-income geographies, the percentage of the bank's loans made to businesses in these geographies is below the percentage of businesses located in these tracts. Overall, CNBT was successful in distributing small business loan products to the economically disadvantaged geographies most in need of the stabilizing and revitalizing effects of small business lending.

The bank's market share of small business loans to borrowers in low-income geographies is higher than its overall market share of small business loans in the entire AA and slightly less for moderate-income geographies. Within the context of the highly competitive banking environment in the AA, CNBT's market share performance is considered excellent.

An analysis of CNBT's small business lending activity for conspicuous gaps is difficult when comparing the 381 loans made by the bank to the 284 CTs tracts in its AA. The bank did penetrate 45% of the low-income CTs in the AA, 53% of the moderate-income tracts, 61% of the middle-income tracts, and 24% of the upper-income tracts. Hence, we did not identify any pattern of lending that arbitrarily excluded LMI segments of the delineated community.

Distribution of Loans by Income Level of the Borrower

Refer to Table 10 in Appendix D for the facts and data used to evaluate the distribution of loans by income level of the borrower.

The distribution of small business loans by income level of the borrower demonstrates a good level of responsiveness to the credit needs of small businesses. Although its lending activity fell short of the demographics for that size of business in the AA, CNBT's market share of small business loans made to firms with revenues of \$1 million or less was well above its overall market share for all small business loans. The bank was able to achieve this high market share because of the type of lending that they do through their venture capital division. This is also a good indication that the bank's primary focus is on satisfying the credit needs of small businesses where community groups indicate the greatest needs exists. In this context, CNBT's performance in lending to small businesses is good and its performance is better than the market.

Less than one half of CNBT's small business loans were in amounts of \$100,000 or less. To the extent that the size of a loan is indicative of the size of the business, CNBT did an adequate job of distributing its small business loan products to fairly small businesses. However, approximately 70% of CNBT's small business loan originations were in amounts under \$250,000.

Product Innovation and Flexibility

CNBT has developed several flexible lending programs to address the credit needs of small businesses that would not otherwise qualify for traditional commercial credit. Most notably are the business funding and venture banking group divisions, which were created to provide capital for emerging growth companies. CNBT's business funding division provides asset-based financing and factoring lines for borrowers to supplement working capital needs on an interim basis. The venture banking groups provides financing to emerging and growth-stage technology companies in the Silicon Valley and Greater Bay regions. The financing solutions offered by the bank act as a bridge to the equity markets (private placement, venture funding, or Initial Public Offerings) or bank financing.

CNBT has been highly responsive in providing venture capital financing, an identified credit need in the AA. This style of lending enables a firm to acquire the cash flow needed for their business growth cycle, with little or no equity dilution. As such, CNBT uses its flexibility and experience in lending to offer these companies unique credit funding as it allows companies to stretch the time between equity offerings, thus building increased value and preserving equity. Many of the businesses CNBT financed over the evaluation period were start-up or small technology companies located primarily in LMI areas within their AA. This is supported by the fact that the bank's market share in lending in low-income geographies is higher than the aggregate market share of small business loans and slightly less for moderate-income geographies. Furthermore, the bank was able to achieve a higher penetration in low-income CTs without having any branches in low-income CTs. The volume of small venture loans over the past two years totaled 71 loans for \$29 million.

The bank has also received a Preferred Lender status from the Small Business Administration (SBA). The SBA loans extended in the bank's AA during the evaluation period were reported under the small business lending criteria.

Community Development Lending

CNBT engaged in a substantial level of CD lending in the AA. We evaluated CD lending since the previous examination on February 24, 1997 through October 18, 1999. CNBT's dollar volume of CD loans totaled slightly under \$19 million representing 27.7% of net Tier 1 capital. This volume is high and demonstrates an excellent responsiveness to CD lending needs in the AA.

The bank made qualifying CD loans totaling \$13.5 million to support the redevelopment of two shopping centers in redevelopment zones in the city of San Jose. Both of these projects were complex and required coordination with the Redevelopment Agency of the City of San Jose, which committed one million dollars in capital to each shopping center. The activities support the revitalization and stabilization of LMI and adjacent areas within in the bank's AA. One loan was for the construction of the shopping center located in a moderate-income CT. The other was for the acquisition and construction of a shopping center located in a middle-income CT. This center is surrounded by LMI CTs and serves the residents in those areas. Both plans are intended to improve the attractiveness and competitiveness of local business in the districts and increase the number of jobs and sales in their respective areas.

CNBT also made loans that were responsive to the community's affordable housing needs. The bank provided approximately \$5 million to fund Phase I and II of a 20 unit housing project in a redevelopment area in the City of Campbell. Three housing units were set aside for LMI families at below market rate. In addition to providing affordable housing, the project assisted with the revitalization of this moderate-income area. The project, which was complex in nature due to the preliminary studies and numerous proposals required, has positively benefitted the AA. The project has established the design standard for the area and the city has every intention of continuing this type of project in the area adjacent to the subject project.

Other funding was used to support a local community developing corporation (CDC) through their lending programs. The lending consortium helps fill the identified needs by providing funding for affordable housing projects directed at LMI individuals. CNBT has participated in nine affordable housing and community facilities project and currently has four outstanding loans for a total of \$221,607. CNBT also participates in the consortium's economic development (small business) lending program. CNBT has a \$58,500 loan pool commitment with the CDC. The CDC has made 88 loans of which 55 loans remain outstanding. These total \$41,173 and are all within the bank's AA.

Lending Inside Versus Outside of the Assessment Area

The majority of CRA reportable loans made by the bank were made in its AA. Approximately seventy percent of the small business loans and all of the CD loans were to borrowers in Santa Clara County. This demonstrates a good focus on meeting the credit needs of the delineated community.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

CNBT's performance under the Investment Test is rated Outstanding. Based on a full-scope review, the bank's performance in the AA is excellent.

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

The bank has an excellent level of qualified investments, considering there are only moderate opportunities for affordable housing and small business investments. The bank competes with a relatively large number of financial institutions and larger entities for CD investments. Competition is strong and has been a challenge at times.

The bank was highly responsive to the credit and CD needs within its AA. During the evaluation period, the bank made a total of \$4.5 million in qualified investments, representing 6.6% of Tier 1 capital. All of the investments directly benefited the AA. Furthermore, through its investment activity, CNBT addressed the identified needs of the LMI individuals and geographies. Over 96% of the investments were targeted for affordable housing within the AA, which has been identified as a critical community credit need.

The bank's responsiveness to credit and CD needs is evidenced by the following examples of qualified investments. The bank:

- Invested in four mortgage-backed securities totaling \$4.3 million. These securities were targeted for either affordable housing in the AA or for home mortgage loans to LMI borrowers in the AA.
- Provided \$133,000 in equity investments and \$17,813 in grants to a multi-bank Community Development Corporation (CDC) that serves the bank's AA. The CDC assists small businesses and affordable housing developers in the AA.
- Provided \$32,064 in grants and donations to four organizations that specifically targeted the identified needs. The funds were used to provide assistance to non-profit organization that make loans for affordable housing, revitalize a neighborhood in San Jose, provide temporary housing to LMI families and help them achieve economic viability, and assist start-up businesses through micro-loan programs.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated High Satisfactory. Based on a full-scope review, the bank's performance in the Cupertino AA is good.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

CNBT has five branches located throughout their AA. The branches are accessible to geographies and individuals of different income levels in its AA. One of the branches is located in a moderate-income CT; two in middle-income CTs; and, two in upper-income CTs. The distribution closely approximates the demographics of the AA as indicated on Table 13.

The bank offers a wide range of banking products but places a special emphasis on lending to small businesses in their community and their principals. The types of credit products offered include: commercial, Small Business Administration (SBA) guaranteed, residential and commercial construction, term commercial real estate, consumer, and venture enterprise lending. Additionally, the bank offers factoring lines for borrowers that would not otherwise qualify for credit. The types of deposit accounts offered include: checking, money market, savings, and time deposits. CNBT also offers deposit and investment products through their Truist Department.

Business hours are reasonable and structured to accommodate customer needs. Customers may access banking services by telephone, computer (direct dial access instead of Internet access), and mail.

Community Development Services

CNBT has provided services that are responsive to the community needs of the AA, particularly to the needs of small businesses and LMI individuals. During this evaluation period, CNBT provided financial and technical assistance to a variety of community organizations, some in a leadership position. The following are examples of the services they rendered:

- A bank employee serves on a school district surplus property task force. The committee was organized to oversee excess school sites and work on developing plans to convert these sites to below market rate housing for LMI educators. The bank employee has provided financial and business strategies as well as technical assistance.
- A Board member serves as the chairman of a capital campaign committee for a community services organization. The purpose of the project is to help alleviate the acute affordability crisis in housing that impacts city and other employees who work in the City of Cupertino and live outside of the

city. The committee is responsible for raising \$1 million to obtain a parcel of surplus land on behalf of the organization to develop 24 affordable housing units. Other services provided by the organization include emergency assistance such as shelter, rental assistance, food, clothing, etc. to LMI families, homeless individuals, and youth at risk. Two bank directors also serve on the committee.

- A director serves on a steering committee overseeing a trust fund for a county housing organization. The purpose of the organization is to develop desperately needed housing in Santa Clara County through the creation of a community trust fund. Their objective is to raise \$20 million to address the problem of affordable housing.
- A director serves as chairman of a city task force loan committee on housing rehabilitation. The committee oversees the distribution of local and federal monies and provides loans to LMI individuals to rehabilitate housing.
- A bank employee served as President of an economic development organization whose primary purpose of to promote economic development of small businesses in the Bay Area. The organization provides financial education to small businesses and has provided financing to a significant portion of minority and women-owned businesses in their target area. They have also made a substantial impact in helping SBA try to meet their “new markets” lending goals.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test: January 1, 1998 to September 30, 1999 Investment Test: February 24, 1997 to October 18, 1999 Service Test: February 24, 1997 to October 18, 1999	
Financial Institution	Products Reviewed	
Cupertino National Bank & Trust Cupertino, California	Small Business Loans, CD Loans, CD Investments, Retail Banking Services, and CD Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None reviewed	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Cupertino	Full-Scope	Part of Santa Clara County in the San Jose MSA

Appendix B: Market Profiles for Full-Scope Areas

Cupertino Assessment Area

Demographic Information for Full-Scope Area: Cupertino Assessment Area							
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #	
Geographies (Census Tracts/BNAs)	284	4	20	53	23	0	
Population by Geography	1,416,032	4	22	54	20	0	
Owner-Occupied Housing by Geography	290,517	1	14	57	28	0	
Businesses by Geography	63,940	5	25	51	19	0	
Farms by Geography	943	4	24	49	23	0	
Family Distribution by Income Level	343,911	3	19	55	23	0	
Distribution of Low- and Moderate-Income Families throughout AA Geographies	128,172	6	31	53	10	0	
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$53,771 = \$82,600 = 5.91%	Median Housing Value Unemployment Rate May 1999			= \$295,510 = 2.7%		

Source: 1990 U.S. Census and 1998 HUD updated MFI.

The bank's AA comprises approximately one quarter of the 1,293 square miles of Santa Clara County. It includes the cities of Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, and Sunnyvale. The AA 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 AA complies with the regulation and does not arbitrarily exclude LMI areas.

According to the 1990 census, the 284 census tracts (CTs) that comprise CNBT's AA have a population of 1,416,032. Of the total CTs, 10 are low-income, 56 moderate-income, 151 middle-income, and 66 are upper-income. One tract is undeveloped and has no population. The 1990 U.S. Census MSA median family income (MFI) is \$53,771 and the median housing value is \$271,200. The Housing and Urban Development Agency (HUD) estimated the 1998 MFI for this area is \$82,600.

Santa Clara County is the home of “Silicon Valley” and has one of the nation’s strongest and most diverse economies. Local competition consists primarily of community banks, and local branches of regional and multinational banks. Its workforce is technically skilled, highly educated, and well compensated. The average household income is about 50% higher than the national average. Major industries include: manufacturing (including high technology); services (including business services); and retail trade. Its proportion of manufacturing jobs compared to other areas of employment is one of the highest in the country. About one-fourth of the workers are directly employed by high tech industries, primarily computer and Internet-related companies. The unemployment rate in Santa Clara County was 3.3% in May 1999. Santa Clara County ranks seventh in California and 31st in the nation in total retail sales. It ranks third in the nation in median household effective buying income.

Through our review of Consolidated Plans for Santa Clara, Palo Alto, San Jose, Mountain View, and Sunnyvale and through our contacts with bank management and local community development groups, the primary credit needs of the community are for affordable housing, loans to small businesses, and housing rehabilitation. The housing market can not keep pace with the shortfall between supply and demand for housing. This results in both high rental rates and home purchase prices.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

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

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

Table 1. Lending Volume

LENDING VOLUME		State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999						
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
Cupertino	100%	0	\$0	381	\$90,702	0	\$0	9	\$22,491	390	\$113,193	100%

(*) Based on information from January 1, 1998 through September 30, 1999.

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) Based on 1998 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT					State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999							
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) Based on 1998 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE					State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999							
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) Based on 1998 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	6.32%	10.50%	24.03%	17.85%	50.96%	47.51%	18.52%	24.15%	13	1.37	1.49	1.29	1.24	1.92	381	100%

(*) Based on 1998 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) Based on 1998 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated by BANK.

(**) Based on 1998 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated by BANK.

(**) Based on 1998 Aggregate HMDA Data only.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated by BANK.

(**) Based on 1998 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999				
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans			
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size	
Full-Scope:												
Cupertino	72.54	52.49	45.69	44.57%	24.34%	31.09%	1.37	1.52	381	100.00%	\$238	

(*) As a percentage of businesses with known revenues.

(**) As a percentage of loans with revenue information available. No information was available for 0.0% of loans originated by BANK.

(**) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1998 Aggregate Small Business Data only.
 (***) Based on 1998 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM			State: CALIFORNIA			Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999					
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Cupertino	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(*) As a percentage of farms with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for 0.0% of loans originated by BANK.
 (***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1998 Aggregate Small Farm Data only.
 (****) Based on 1998 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS			State: CALIFORNIA			Evaluation Period: FEBRUARY 24, 1997 TO SEPTEMBER 30, 1999					
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments				
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s		
Full-Scope:											
Cupertino	0	0	\$0	21	4,512	100.00%	21	\$4,512	100.00%		

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.
 (**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: CALIFORNIA				Evaluation Period: FEBRUARY 24, 1997 TO SEPTEMBER 30, 1999									
Assessment Area:	Deposits	Branches				ATMs				Population							
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Cupertino	100.00%	5	100.00%	0.00%	20.00%	40.00%	40.00%	3	100.00%	0.00%	0.00%	0.00%	100.00%	3.91%	21.23%	54.69%	20.18%

(*) Based on 1998 Aggregate Small Business Data only.