



SMALL BANK

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

PUBLIC DISCLOSURE

December 8, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Santa Clara Valley Bank, National Association
Charter Number 23642**

**901 East Main Street
Santa Paula, CA 93060**

**Comptroller of the Currency
Los Angeles Field Office
550 North Brand Boulevard, Suite 500
Glendale, CA 91203**

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 the institution's rating include:

- The loan-to-deposit ratio exceeds the standard for satisfactory performance and is more than reasonable.
- A majority of the bank's loans are in the assessment area.
- Lending to businesses of different sizes meets the standard for satisfactory performance. However, lending to borrowers of different incomes does not meet the standard for satisfactory performance. Economic factors reasonably explain this performance.
- The geographic distribution of small business loans and home equity lines of credit (HELOC) exceed the standard for satisfactory performance and reflect excellent dispersion compared to area demographics.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) assesses Santa Clara Valley Bank's CRA performance using the Small Bank CRA procedures. We performed a full-scope examination of the Ventura County assessment area. We evaluated the bank's performance based on loans originated from January 1, 2009 through September 30, 2011. We focused our evaluation on business loans secured by commercial real estate (CRE) and consumer HELOC loans secured by single family residences. We sampled a total of 31 loans, which included 20 CRE loans and all eleven HELOC loans originated during the evaluation period. These categories represent the two largest concentrations of loans within the bank's loan portfolio.

DESCRIPTION OF INSTITUTION

Santa Clara Valley Bank, N.A. (SCVB or the bank) is a full-service commercial bank headquartered in the City of Santa Paula, California. SCVB operates three full service branches, in Santa Paula and in the nearby cities of Fillmore and Valencia. The bank offers a full range of products and services, as well as 24-hour banking from three automated teller machines (ATMs). In October 2011, the bank relocated its Valencia branch within the city limits. SCVB provides customers with 24-hour access to account information via the bank's internet banking services. The bank also provides remote deposit capture and debit card processing services. Banking products and services are offered to customers in each branch.

As of September 30, 2011, assets totaled \$130 million, with total loans representing \$73 million, or 56 percent of total assets. SCVB's primary lending focus is to small businesses, which represents \$45 million, or 62 percent of total loans. The majority of the bank's business customers are small family enterprises and closely held businesses. Most business loans are real estate secured. Consumer loans totaled \$9 million, or 12 percent of total loans. Consumer loans are secured by single family residences or autos. SCVB is active in the community with over 100 hours of community development services and \$1 million in community development loans.

The Table below details the composition of the loan portfolio as of September 30, 2011.

Loan Portfolio Summary by Loan Product September 30, 2011	
Loan Category	% of Outstanding Dollars
Commercial Real Estate	66%
Commercial & Industrial Loans	17%
Consumer- 1-4 family real estate secured	12%
Agricultural Loans	4%
Consumer- Other	<1%

Source: Data reported in bank records

The bank competes with many other financial institutions for loans and deposits. As of the most recent Deposit Market Share Report dated June 30, 2011, there were 27 institutions operating 179 branches in the Ventura County assessment area (AA). The three largest banks in the AA hold 59 percent of deposits, compared to SCVB's deposit market share of less than one percent. The largest banks in the AA include Bank of America, Wells Fargo, Chase, and Santa Barbara Bank & Trust.

The bank has no financial impediments that would affect its ability to meet the credit needs of its AA. However, the bank's ability to lend in its AA has been somewhat impacted by the terms of a formal enforcement action with its primary regulatory agency. SCVB received a "Satisfactory" rating at the prior CRA examination performed on August 21, 2006.

DESCRIPTION OF THE VENTURA COUNTY ASSESSMENT AREA

The bank's AA includes the entire Ventura-Oxnard-Thousand Oaks Metropolitan Statistical Area (MSA), and a small area of the northwest portion of the Los Angeles-Long Beach-Santa Ana MSA. The AA contains 208 contiguous census tracts from the Pacific Ocean, eastward along Highway 126 into the Santa Clarita Valley. The AA includes the cities of Ventura, Oxnard, Camarillo, Thousand Oaks, Simi Valley, Santa Paula, Fillmore, Moorpark, Valencia, and Santa Clarita. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Refer to Table below for details.

Demographic Information for Ventura County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	208	3.37	17.31	36.54	41.35	1.44
Population by Geography	941,187	3.09	19.19	28.88	38.84	0.00
Owner-Occupied Housing by Geography	209,045	0.951.9 1	12.15	38.20	48.70	0.00
Business by Geography	74,457	2.72	17.31	36.54	41.35	1.44
Farms by Geography	1,865	3.32	19.14	49.22	27.40	0.91
Family Distribution by Income Level	230,357	2.37	16.44	38.83	42.36	0.00
Distribution of Low-and Moderate- Income Families throughout AA Geographies	78,298	5.5	28.92	44.02	21.55	0.00
Median Family Income (MFI)		\$69,811	Median Housing Value (California Association of Realtors – June 2011)			\$443,29
HUD Adjusted MFI		\$80,661				0
Households Below the Poverty Level		7%	Unemployment Rate (Annual 2010)			10.7%

(*) The NA category consists of geographies that have not been assigned an income classification

Source: 2010 U.S. Census, 2010 HUD MFI, and California Association of Realtors

The major industries that contribute to employment in the AA are diverse and are concentrated in services, retail trade, finance, and manufacturing. The AA has a large presence of technology corporations, including telecommunications, healthcare, development, and biotech. The largest employers include: Ventura County Naval Base, Amgen Inc., Boeing, William S. Hart Union School District, Six Flags Magic Mountain, Bank of America, WellPoint Health Networks, and Verizon Communications.

Ventura County is slowly emerging from the 2007 recession; annual 2012 economic growth is projected to be stable. The area's unemployment rate increased significantly as a result of the recession, but has been steadily improving over the past few years.

The median home prices for existing single family homes has been declining since May 2007, from a high of \$699,481 to \$443,290 in June 2011. Even with the decline in prices, home ownership remains out of reach for many moderate-income families. Commercial real estate vacancy rates increased from approximately 15 percent in 2007 to almost 25 percent in 2009. Non-residential construction activity remains slow.

Community contacts indicate that housing expenses in the county are high; therefore, affordable housing projects would be beneficial to the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SCVB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance and is more than reasonable given the size, financial condition, and credit needs of the AA. The quarterly average LTD ratio for the previous 20 quarters ending September 30, 2011, was 83 percent.

The bank's average LTD ratio compares favorably with other financial institutions of similar size, location, and product offerings. We compared four similarly situated banks and found the average LTD ratio for these four banks over the same time period was 80 percent.

Lending in Assessment Area

Lending in the AA meets the standard for satisfactory performance. A majority of the bank's loans were made within the AA, both by number and dollar volume. See Table 1 for details.

Loan Type	Number of Loans				Total	Dollars of Loans (000's)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Commercial – Secured by RE	14	70%	6	30%	20	\$7,252	74%	2,496	26%	9,748
Consumer-HELOC	9	82%	2	18%	11	\$1,022	69%	\$450	31%	\$1,472
TOTALS	23	74%	8	26%	31	\$8,274	74%	\$2,946	26%	\$11,220

Source: Bank data for 31 loans sampled

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending performance to businesses with less than \$1 million in revenues meets the standard for satisfactory performance. The bank's distribution of loans to businesses of different sizes reflects reasonable penetration in the AA, given the weak local economy that has resulted in a reduction in lending opportunities to businesses with revenues less than \$1 million. As a result, it is more difficult to attract qualified small business borrowers. See Table 2 for details.

Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	80%	4%	16%	100%
% of Bank Loans in AA by #	71%	29%	0%	100%
% of Bank Loans in AA by \$	49%	51%	0%	100%

Source: Business Demographic Revenue Data, and Bank data for CRE loans sampled

The bank's distribution of loans to borrowers of different incomes does not meet the standard for satisfactory performance. SCVB's lending performance to low- and moderate-income borrowers reflects poor penetration when compared to area demographics. However, the maximum annual income of low- and moderate-income borrowers in the AA is \$35 thousand and \$56 thousand, respectively. Income at either of these levels is generally not sufficient to qualify for traditional residential loans, based on the current market values in the AA. Income information is based on 2010 HUD median family income. See Table 2A for details.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Consumer - HELOC	17%	11%	17%	0%	21%	22%	45%	67%

Source: 2010 Census Data, and Bank data for HELOC loans sampled

Geographic Distribution of Loans

The geographic distribution of CRE loans exceeds the standard for satisfactory performance and reflects excellent dispersion compared to area demographics. SCVB's lending to businesses in low- and moderate-income tracts exceeds the area demographics of the AA. See Table 3 for details.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% 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
Business Loans*	3%	58%	13%	14%	41%	14%	40%	14%

Source: Business Demographic Revenue Data, and Bank data for CRE loans sampled

*3% of the businesses are in income tracts designated as NA

The geographic distribution of HELOC loans in low- and moderate-income tracts exceeds the standard for satisfactory performance and reflects excellent penetration in the AA. See Table 3A for details.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Consumer - HELOC	1%	11%	12%	45%	38%	33%	49%	11%

Source: 2010 Census Data, and Bank data for HELOC loans sampled

Fair Lending or Other Illegal Credit Practices Review

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

Response to Complaints

The bank has not received any complaints associated with its CRA performance.