



Public Disclosure

October 12, 1999

Community Reinvestment Act Performance Evaluation

**First Coastal Bank, N. A.
Charter Number 18454**

**275 Main Street
El Segundo, California 90245**

**Office of the Comptroller of the Currency
Southern California- North Field Office
550 North Brand Boulevard, Suite 500
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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 CRA performance of **First Coastal Bank, N. A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 12, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

SCOPE OF EXAMINATION:

We evaluated First Coastal Bank, N. A.'s (FCB) CRA performance based on the lending activity from March 31, 1997, through September 15, 1999. We used the bank's data and sampled 20 commercial real estate and 20 business loans to determine the accuracy of the information. We used that same sample to evaluate the bank's lending to businesses of different sizes and geographic distribution. We reviewed HMDA loans, but did not use these loans in any of our analysis. The bank only originated 32 HMDA loans of three different loan types.

INSTITUTION'S CRA RATING:

This institution is rated "**Satisfactory.**"

The bank's Satisfactory rating is based primarily on the following facts:

- FCB's average loan-to-deposit ratio for the twelve quarters ended June 30, 1999, exceeds the standard for satisfactory performance.
- Lending to businesses of different sizes is satisfactory.
- The majority of the bank's loans are within the assessment area.
- FCB's geographic distribution of loans is reasonable.
- The bank did not receive any complaints associated with its CRA performance.

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.

Assessment Area (AA) - A geographic area which consists generally of one or more MSAs (using) the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as countries, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

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.

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, and withdrawn).

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

Low-Income - Income levels that are less than 50 percent 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 percent and less than 120 percent of the MFI.

Moderate-Income - Income levels that are at least 50 percent and less than 80 percent 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 \$500,000 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 percent or more of the MFI.

DESCRIPTION OF INSTITUTION:

FCB is a full-service commercial bank established in 1984. FCB is a wholly owned subsidiary of First Coastal Bankshares (Bankshares), a one-bank holding company. Bankshares also owns 100 percent of First Coastal Capital Trust (FCCT). As of June 30, 1999, FCCT had assets of \$6.8 million. Both Bankshares and FCCT are headquartered in the city of El Segundo, California. Bankshares and its subsidiaries reported assets of \$131 million at June 30, 1999, after accounting for allowances for loans and lease losses.

FCB is also headquartered in the city of El Segundo, California. In 1997, FCB acquired the Marina State Bank, which had one branch. In March 1999, FCB acquired American International Bank, which had two branches. As of June 30, 1999, FCB's assets totaled \$129 million. FCB currently has a total of four branches, which are located in the cities of El Segundo, Marina Del Rey, Burbank, and Gardena. FCB has not closed any branches since it began operations in 1984.

The bank operates Automated Teller Machines (ATMs) at each of its branches; all of the ATMs provide deposit and withdrawal services. Additionally, FCB entered into an agreement with Wells Fargo Bank (WFB), to allow FCB's customers to make deposits at all of WFB branches.

At June 30, 1999, net loans were 53 percent of total assets. FCB's lending is primarily centered in commercial real estate and business. However, the loan portfolio distribution does not reflect this lending focus. In 1998, FCB purchased a number of residential real estate loans. Refer to the table below for details.

Loan Portfolio Distribution as of June 30, 1999		
Loan Type	Loan Dollars	Percentage of Total Loans
Commercial Real Estate	\$32,071	47%
Residential Real Estate	\$20,876	30%
Business	\$12,493	18%
Other Installment	\$3,647	5%
Total	\$69,087*	100%**

* Gross Loans

** Rounded Number

The bank has no financial or legal impediments that would affect its ability to meet the credit needs of its assessment area. FCB received a "Satisfactory" rating at the prior examination, which was performed as of March 31, 1997.

DESCRIPTION OF ASSESSMENT AREA:

FCB’s assessment area comprises 1,045 census tracts within the Los Angeles - Long Beach MSA. FCB’s assessment area does not include the entire MSA because the bank does not have sufficient resources to serve the entire MSA. As a result, FCB elected to include the census tracts surrounding its four branches. The bank’s assessment area meets the requirements of the CRA and does not arbitrarily exclude low- and moderate-income census tracts. The composition of those census tracts is shown in the table below.

According to the 1990 Census, the population within the assessment area is 5.3 million. Of that number, 13 percent live below the poverty level. The U. S. Bureau of Labor Statistics reports an unemployment rate of 8.21 percent for 1996. The 1990 median housing cost is \$262,319, and 39 percent of the housing is owner-occupied. The 1995 Consolidated Plan states that the lack of affordable housing has reached crisis proportions. The U. S. Department of Housing and Urban Development (HUD) updated MFI for the assessment area is \$51,300. The 1990 Census MFI income for the same area is \$39,035. Within this area, 26 percent and 17 percent of the families are low- and moderate-income, respectively. Refer to the table below for details.

Characteristics of Assessment Area				
Income Level of Census Tracts	Number of Census Tracts	Percentage of Census Tracts	Number of Families	Percentage of Families
Low	131	13%	315,570	26%
Moderate	295	28%	209,995	17%
Middle	279	27%	220,887	18%
Upper	334	32%	459,057	39%
N/A*	6	0	0	0%
Total	1,045	100%	1,205,509	100%**

* 1990 Census Reported No Income.

** Rounded Number

The economy is rebounding from the recession of the early 1990s. Major industries in order of importance include services, retail trade, wholesale trade, finance, insurance and real estate, and manufacturing. There are 235,835 businesses within the area, 176,960 of these businesses report revenues of less than \$1 million. There are 33,272 businesses for which no revenues were reported. Competition within the assessment area is fierce. As of June 30, 1998, the Federal Deposit Insurance Corporation (FDIC) reported approximately 1,500 branches of financial institutions located within the bank’s assessment area.

As a part of this examination, we considered information from the community. Our contacts include an economic development corporation, a non-profit banking and resource center, a community housing organization, a chamber of commerce, and a community development corporation. Some of the contacts were made prior to this examination, and one was made during this examination. These contacts identified financing needs for construction, retail development, and small loans to small businesses. Loans provided should have flexible terms and low interest rates. Other needs identified through these contacts include credit counseling, technical assistance, in-kind contributions, investment advice, reduced-cost banking, conversion of other real estate owned to low-income housing, and provision of premises for use as community service centers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO:

FCB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. The bank's average LTD ratio for the twelve quarters ended June 30, 1999, was 74 percent. Five similarly situated banks' average LTD ratio for the same period was 69 percent. For purposes of this examination, we consider similarly situated banks as those banks that are similar in asset size and located within FCB's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES:

FCB did not originate sufficient numbers of HMDA loans to allow for a meaningful analysis of lending to borrowers of different incomes. The bank reported 226 HMDA loans in 1998. However, 194 of those loans were purchased from Iowa, Arizona, and Maine. The remaining 32 loans were originated within the bank's assessment area. These 32 loans are distributed among three different loan types (home purchase, refinance, and multi-family).

FCB's origination of commercial real estate and business loans to businesses of different sizes meets the standard for satisfactory performance.

An analysis of a sample of the bank's commercial real estate loans shows that 95 percent of the numbers and dollars of the loans were extended to businesses with revenues of less than \$1 million. FCB's distribution of commercial real estate loans to small businesses exceeds the assessment area demographics. Refer to table below for details.

Commercial Real Estate Loans					
Business Revenues*	Percent of Businesses in Area	Number of Loans Sampled in Area	Percent of Number of Loans in Area	Loan Dollars in Area	Percent of Dollars in Area
<\$1,000,000	87%	19	95%	\$4,690,427	95%
>\$1,000,000	13%	1	5%	\$268,573	5%
Total	100%	20	100%	\$4,959,000	100%

* Reported by Dun & Bradstreet

The bank's origination of business loans is reasonable. FCB originated 75 percent of the loan numbers and 55 percent of the dollars of the loans sampled to businesses with revenues of less than \$1 million. However, the distribution is less than area demographics. Refer to table below for details. Fifty-five percent of the loans by number and 46 percent by dollar were extended to borrowers with revenues of less than \$500,000. Although this distribution falls below demographics, it is still reasonable. During this review period, management's efforts were focused on incorporating two new banks into FCB. The two new banks had different lending strategies. These strategies had an impact on the overall lending distribution results.

Business Loans					
Business Revenues*	Percent of Businesses in Area	Number of Loans Sampled in Area	Percent of Number of Loans in Area	Loan Dollars in Area	Percent of Dollars in Area
<\$1,000,000	87%	15	75%	\$1,611,612	55%
>\$1,000,000	13%	5	25%	\$1,140,000	45%
Total	100%	20	100%	\$4,959,000	100%

* Reported by Dun & Bradstreet

GEOGRAPHIC DISTRIBUTION:

FCB's geographic distribution of commercial real estate and business loans within the assessment area is reasonable.

During the review period, FCB originated commercial real estate loans in geographies representing all income levels. The distribution among the low-income tracts is less than area demographics as well as the distribution among the moderate-income geographies. Refer to table below for details. This is mostly due to the two mergers that occurred during this review period. Distribution among the middle- and upper-income geographies exceeded the area demographics. One of the banks that was merged into FCB was located in, and had as its assessment area, geographies that were primarily middle- and upper-income.

Commercial Real Estate Loans					
Income Level of Census Tracts	Percent of Tracts	Number of Loans Sampled in Area	Percent of Number of Loans in Area	Loan Dollars in Area	Percent of Dollars in Area
Low	13%	1	5%	\$151,000	3%
Moderate	28%	2	10%	\$506,839	10%
Middle	27%	8	40%	\$1,583,255	32%
Upper	32%	9	45%	\$2,717,906	55%
N/A*	6%	0	0%	0	0%
Total	100%	20	100%	\$4,959,000	100%

* 1990 Census reported no income.

The bank's distribution of business loans is reasonable. Loans were originated to borrowers located in geographies of all income levels. However, distribution in the low-income geographies was less than area demographics. Again, this distribution is due to the recent mergers. Refer to the discussion above for further explanation. Within the moderate-income geographies, the distribution was consistent with area demographics. Distribution among the middle- and upper-income geographies was good.

Business Loans					
Income Level of Census Tracts	Percent of Tracts	Number of Loans Sampled in Area	Percent of Number of Loans in Area	Loan Dollars in Area	Percent of Dollars in Area
Low	13%	1	5%	\$100,000	4%
Moderate	28%	5	25%	\$730,000	27%
Middle	27%	4	20%	\$628,500	23%
Upper	32%	10	50%	\$1,293,112	46%
N/A*	6%	0	0%	0	0%
Total	100%	20	100%	\$2,751,612	100%

* 1990 Census reported no income.

LENDING WITHIN ASSESSMENT AREA:

FCB’s lending within the assessment area meets the standard for satisfactory performance. The bank originated the majority of its loans within the assessment area. Refer to the table below for details.

Loans Within Assessment Area		
Total Loans by Number and Dollar	Number and Dollar Within the Assessment Area	As a Percent of Total Loans Made Within Assessment Area
605	320	53%
\$45,860,511	\$28,870,239	63%

OTHER LENDING:

FCB is a participant in a loan syndication with the Community Reinvestment Resource Center to fund loans in South Central Los Angeles. The bank contributed \$50,000 to this syndication. The loans funded through this endeavor will originate small business loans ranging from \$5,000 to \$30,000.

RESPONSE TO WRITTEN COMPLAINTS:

The bank has not received any complaints associated with its CRA performance, since the last CRA examination.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS:

The bank is in compliance with all Fair Lending laws and regulations. We did not conduct a Fair Lending examination, since the bank did not generate sufficient numbers of loans of the type necessary to perform a meaningful analysis. However, we performed a technical review of the bank’s compliance with the laws and regulations. We did not identify any violations of these laws.