

PUBLIC DISCLOSURE

January 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Charter Bank, N.A.
Charter Number 17731**

**9454 Wilshire Boulevard
Beverly Hills, California 90212**

**Comptroller of the Currency
550 North Brand Boulevard, Suite 500
Glendale, California 91203**

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 the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Charter Bank, N.A. (FCB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 19, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **"Satisfactory."**

- C FCB's record of lending within its assessment area meets the standard for satisfactory performance.
- C The bank's record of lending to small businesses that have annual revenues of less than \$1 million is appropriate.
- C FCB's geographic distribution among low- and moderate-income census tracts reflects a reasonable penetration.
- C The eight-quarter loan-to-deposit ratio meets the standard for satisfactory performance.
- C The bank did not receive any complaints associated with its performance under the CRA.
- C A Fair Lending examination concluded that there are satisfactory controls in place to ensure compliance with applicable anti-discrimination laws and regulations.

DESCRIPTION OF INSTITUTION:

First Charter Bank, N.A. opened on April 6, 1983, and is headquartered in the city of Beverly Hills, California. The bank operates two branches. One branch is located at the bank's Beverly Hills headquarters. And the other branch is located in nearby West Los Angeles, just five miles west of the main office. The bank does not own or operate any automated teller machines. As of September 30, 1998, FCB reported total assets of \$137 million and a loan portfolio of \$68 million. The bank is not a subsidiary of a holding company. The OCC placed FCB on a Prompt Corrective Action Directive from September 1996 through May 1998. During that time, FCB had limited resources available to develop new business. The bank directed its available resources to improve asset quality and to maintain capital at or above required levels. Our last evaluation of the bank's CRA performance dated December 16, 1996, reflected a "Satisfactory" rating.

FCB is a commercial bank focused on lending to medium-sized businesses and high net worth individuals. FCB does not market consumer loans. The bank has made consumer loans, on an accommodation basis, to individuals who have established a business relationship with the bank. The bank does not advertise any of its loan products. Current business development activities are focused on the medical industry. FCB's loan portfolio equals 40 percent of total assets and is composed primarily of commercial real estate and business loans. These loans total 59 percent and 40 percent, respectively, of gross loans. Loans to individuals total less than one percent, and consist of equity lines of credit to high-income borrowers. The bank participates in the Small Business Administration's (SBA) lending program and originated three such loans during the past two years.

DESCRIPTION OF ASSESSMENT AREA:

Definitions:

C Median Family Income (MFI) - The median income determined by the U.S. Census Bureau every 10 years and used to determine the income level category of census tracts. The weighted average of the bank's updated median family income is \$49,800. For purposes of this evaluation, income levels are divided as follows:

<i>Low income:</i>	<i>Less than 50% of the MFI</i>
<i>Moderate income:</i>	<i>50% to less than 80% of the MFI</i>
<i>Middle income:</i>	<i>80% to less than 120% of the MFI</i>
<i>Upper income:</i>	<i>120% or more of the MFI</i>

C Small Businesses - Businesses with annual revenues of \$1 million or less. This includes individuals who borrow for business purposes.

C Small Business loans - Loans in amounts of \$1 million or less (as defined in the Consolidated Report of Condition).

FCB’s assessment area encompasses the western half of Los Angeles County and includes 841 contiguous census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The bank has not arbitrarily excluded any low- or moderate-income census tracts from its assessment area.

The 1990 U.S. Census reported a population of 4.2 million people living within the assessment area. The following table shows that low- and moderate-income census tracts represent 40 percent of the bank’s assessment area, and 44 percent of the families living in the assessment area are in low- and moderate-income levels.

INCOME DISTRIBUTION OF ASSESSMENT AREA CENSUS TRACTS				
Income Level	Number of Tracts	Percent of Tracts in Assessment Area	Number of Families	Percent of Families
Low	126	15	249,057	27
Moderate	211	25	159,733	17
Middle	230	27	167,286	18
Upper	274	33	357,972	38
Total	841	100	934,048	100

The bank operates in an extremely competitive environment. Competitors include independent community banks, branches of regional commercial banks, savings and loan associations, and other financial institutions.

The Southern California economy and real estate market have rebounded from the recession of the 1980s. The largest industries in the assessment area are real estate, tourism, retail trade, and service related businesses. The once dominant aerospace and defense-related occupations have been replaced by the growing entertainment industry.

The 1990 U.S. Census data indicates that there are 138 thousand businesses operating in the bank’s assessment area that have annual revenues less than \$1 million. Of these 138 thousand businesses, 44 thousand, or 32 percent, are located in low- and moderate-income areas. The following table illustrates the characteristics of those businesses located within FCB’s assessment area.

BUSINESSES LOCATED WITHIN THE ASSESSMENT AREA		
Revenue Category	Number of Businesses in Assessment Area	Percent of Businesses
\$1 Million or Less	137,972	87
Over \$1 Million	19,900	13

TOTAL	157,872	100
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As a part of this examination, we considered information obtained from a minority nonprofit economic development organization, a local chamber of commerce, a business trade organization, and a fair housing council. Our contacts identified the need for loans to support affordable housing, working capital for small businesses, and first-time home buyer mortgage loan programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

We based our analysis of the bank's performance on its lending activity from January 1, 1997, through December 31, 1998. We used loan data developed by the bank. We also considered a geographic analysis of that loan data performed by an outside consultant. From these sources we evaluated FCB's record of lending in its assessment area, and we assessed the bank's geographic distribution of loans. We determined that the bank's data is accurate. We sampled 70 loans, or 24 percent, of the business loans originated for the two-year period. We used the results of this sample to evaluate FCB's lending to businesses of different sizes and to determine FCB's lending distribution to small businesses among the geographies. The bank had not performed such analyses.

We did not evaluate FCB's consumer lending activity. The bank made only 14 consumer loans during our review period. An analysis of these loans would not be meaningful.

LENDING WITHIN THE ASSESSMENT AREA:

FCB's record of lending within its assessment area meets the standard for satisfactory performance.

The following table reflects that a majority of the loans originated were made to borrowers located within the assessment area.

LENDING WITHIN THE ASSESSMENT AREA		
Total Loans by Dollar Amount and Number of Loans Originated	Loans Made Within the Assessment Area	Percentage of Loans
\$68,242,302	\$55,203,465	81
310	270	87

LENDING TO BUSINESSES OF DIFFERENT SIZES:

FCB's lending to businesses of different sizes is reasonable.

Based on our sample by number of loan originations, 51 percent were to small businesses. Small businesses represent 87 percent of the businesses in the bank's assessment area. This compares reasonably to the characteristics of businesses located within the assessment area. The following table illustrates this analysis.

BUSINESS LOANS BY REVENUE CATEGORY WITHIN THE ASSESSMENT AREA				
Revenue Category	Number of Businesses in Assessment Area	Percent of Businesses	Number of Loans	Percent of Loans
Small Businesses	137,972	87	36	51
Large Businesses	19,900	13	34	49
TOTAL	157,872	100	70	100

GEOGRAPHIC DISTRIBUTION OF LOANS:

FCB's geographic distribution of loans among low- and moderate-income census tracts reflects a reasonable penetration.

During the last two years, the bank's lending was constrained due to the lack of available resources. The bank was under a directive from their primary regulatory agency, which required them to maintain capital at or above prescribed minimum levels.

Based upon our sample, FCB penetrated three percent of the low-income census tracts and three percent of the moderate-income census tracts located within their assessment area. Low- and moderate-income census tracts comprise 15 percent and 25 percent, respectively, for a total of 40 percent of its assessment area.

This level of penetration appears less than reasonable; however, the bank had constrained financial and staffing resources available for developing new business. The table on the following page illustrates the bank's geographic distribution of loans among these census tracts.

GEOGRAPHIC DISTRIBUTION OF LOANS WITHIN THE ASSESSMENT AREA					
Census Tract Income level	Number of Census Tracts in Assessment Area	Number of Tracts with Loans	Percent of Tracts with Loans	Loan Dollars Originated in Tracts	Percent of Loan Dollars Originated in Tracts
Low	126	4	3	\$ 2,685,000	5
Moderate	211	7	3	4,097,000	7
Middle	230	23	10	12,833,000	23
Upper	274	63	23	35,588,000	65
Totals	841	97	*	55,203,000	100

* In total, loans were made in 97 of the 841 tracts within the bank's assessment area, or 12%.

FCB made a reasonable penetration among small businesses located in low- and moderate-income census tracts. Based upon our sample, small businesses received 80 percent of the total loans made in low-income census tracts. And small businesses received 44 percent of the total loans made in moderate-income census tracts. These percentages compare favorably to the demographics of FCB's assessment area. The table below illustrates this analysis.

GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS				
Census Tract Income Level	Total Loans Made in Census Tracts	Total Small Business Loans	Percent of Total Small Business Loans	Percent of Small Businesses Located In Census Tracts
Low	5	4	80	82
Moderate	9	4	44	87
Middle	19	7	37	89
Upper	37	21	57	89
Totals	70	36	51	87

LOAN-TO-DEPOSIT RATIO:

FCB's loan-to-deposit ratio meets the standard for satisfactory performance.

The bank's eight-quarter average loan-to-deposit ratio compares favorably with the ratios of other, similarly situated financial institutions. The other financial institutions are similar in asset size, marketing focus, and location.

FCB's eight-quarter average loan-to-deposit ratio ending September 30, 1998, was 37 percent. For the same time period, the average loan-to-deposit ratios of similarly situated institutions ranged from 44 to 69 percent.

The bank operated under a Prompt Corrective Action Directive from September 30, 1996, through May 31, 1998. Capital requirements imposed and other resource constraints restricted FCB's ability to make new loans.

RESPONSE TO COMPLAINTS:

FCB has not received any complaints associated with its performance under the provisions of the CRA since the last OCC examination dated December 31, 1996.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATION LAWS:

The bank's consumer lending activity remains limited. Therefore, we did not conduct our standard Fair Lending review. Instead, we conducted a technical review of FCB's loan policies, procedures, and practices used to ensure compliance with anti-discrimination laws and regulations. Our review of these policies, procedures, and practices disclosed no evidence of any discriminatory practices.