



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Orange National Bank
Charter Number 16811**

**1201 East Katella Avenue
Orange, California 92667**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 Community Reinvestment Act (CRA) performance of **Orange National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 31, 1996. 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.”**

Orange National Bank is committed to serving the communities in which it operates. It has demonstrated satisfactory lending performance throughout the assessment area, including low- and moderate-income census tracts. The bank's lending to borrowers of different income levels and businesses of different sizes is reasonable.

The following table indicates the performance level of **Orange National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Orange National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION:

Orange National Bank opened in 1979 as a full service commercial bank headquartered in Orange, California. It is owned by Orange National Bancorp, a holding company with total assets of \$212 million. The bank has six branches in its assessment area: the main office and three other branches in Orange, as well as a branch in Laguna Beach and Laguna Hills, respectively. The bank has an automatic teller machine at each location. As of May 31, 1996, it reported total assets of \$212 million. The following chart reflects the bank's loan portfolio by major product type.

LOANS BY MAJOR PRODUCT TYPE - As of May 31, 1996

LOAN TYPE	DOLLAR AMOUNT	% OF TOTAL LOANS (\$)
Commercial, Construction, and Commercial Real Estate	79,416,236	75%
Small Business Administration (SBA) Loans	14,730,788	14%
Installment/Consumer Loans	11,062,218	11%
NET TOTAL LOANS:	105,209,242	100%

Commercial loans consist primarily of loans to small and medium sized businesses. A large proportion of the loan portfolio includes commercial real estate and SBA loans. Consumer loans consist mainly of loans to individuals for home equity loans and lines of credit, as well as automobile financing. There are no financial or legal impediments to the bank's ability to help meet the credit needs of its community. The last CRA performance examination was June 17, 1994.

DESCRIPTION OF THE ORANGE COUNTY ASSESSMENT AREA:

The bank's assessment area consists of the 484 census tracts which comprise the primary metropolitan statistical area (PMSA) of Orange County. The area delineation complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The chart below reflects the composition of the assessment area by census tract type.

ASSESSMENT AREA COMPOSITION

Census Tract Type	# of Tracts in Area	% of Assessment Area (#)
Low Income	14	3%
Moderate Income	118	24%
Middle Income	213	44%
Upper Income	133	28%
No Income Reported	6	1%
TOTAL CENSUS TRACTS:	484	100%

(Note: The census tracts for which there is no reported income are tracts encompassing the University of California, Irvine, and nonresidential tracts.)

There are 2,410,556 residents in the assessment area with a median family income of \$51,269 based on 1990 census data. Median housing value is \$235,250. The southern California economy has been slow to recover from cutbacks in military and aerospace which took place over several years. Declines in business activity and real estate values in the local area have followed, and recovery is yet to be realized. Numerous banks and financial institutions serve the area, resulting in strong competition for market share. We contacted two local community officials and determined that business loans and technical assistance for small businesses are significant needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The bank's loan to deposit ratio is satisfactory. The average loan to deposit ratio since the last examination is 59.98%. This is somewhat lower than the 70.47% average of other local banks of similar asset size. But the bank's loan to deposit ratio is substantially higher if SBA loan originations, which are subsequently sold on the secondary market, are factored in. For example, as of May 31, 1996, the bank's loan to deposit ratio is 81.69%, including the portion of SBA loans sold.

Lending in Assessment Area

The bank's lending in the area exceeds expectations for satisfactory performance. The bank originated a substantial percentage of loans within the assessment area. The chart below reflects its continual efforts to lend within the communities in which it operates. We prepared this analysis based on bank-provided data, after testing the data for accuracy. (The charts which follow reflect loans originated between January 1995 and our examination date.)

LENDING INSIDE AND OUTSIDE OF AREA - January 1995 To June 1996

	LOANS (#)	% LOANS (#)	LOANS (\$)	% LOANS (\$)
IN AREA	639	86%	60,304,000	79%
OUT OF AREA	104	14%	16,307,000	21%
TOTALS	743	100%	76,611,000	100%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Lending activity to borrowers of different income levels in the assessment area is satisfactory and compares favorably with area demographic information. We conducted a judgmental sample of loan originations to verify borrower income levels. We sampled 30 of 147 loans, representing about 20% of the bank's consumer loans by number and 12% by dollar amount. The following chart reflects the consumer loan activity. The dollar volume at the upper income level is upwardly skewed because many of the loans to these individuals are high-dollar equity lines of credit.

CONSUMER LENDING IN ASSESSMENT AREA BY BORROWER INCOME LEVEL BASED ON SAMPLE January 1995 - June 1996

Income Level	% of Assessment Area	Consumer Loans (#)	% of Consumer Loans (#)	Consumer Loans (\$)	% of Consumer Loans (\$)
Low	19%	10	33%	119,775	20%
Moderate	19%	6	20%	43,000	7%
Middle	23%	3	10%	60,300	10%
Upper	39%	11	37%	382,000	63%
Total:	100%	30	100%	605,075	100%

The bank has extended a satisfactory amount of loans to small businesses in the assessment area. This is reflected in the chart below. We used bank provided information which we tested for accuracy. We also conducted a judgmental sample of loan originations to verify business revenue. The sample of 59 loans represents about 12% of total business loan originations by number and 22% by dollar amount.

LENDING IN ASSESSMENT AREA BY BUSINESS REVENUES BASED ON SAMPLE

January 1995 to June 1996

	Loans (#)	% of Sample Business Loans (#)	Loans (\$)	% of Sample Business Loans (\$)
Loans to Small Businesses (<\$1 Million Annual Revenue)	33	56%	2,678,422	22%
Total Business Loan Sample	59	100%	12,170,979	100%

Geographic Distribution of Loans

Lending is reasonably distributed in the assessment area. Lending activity in different income level census tracts is comparable to demographic information. We used the bank's internal analysis which we tested for accuracy. The chart below compares the loan originations during 1995 with the percentage of various income level census tracts that comprise the assessment area.

LENDING IN ASSESSMENT AREA - BY CENSUS TRACT TYPE

Census Tract Income Type	% of Assessment Area	Loans in Tracts (#)	% of Loans (#)	Loans in Tracts (\$)	% of Loans (\$)
Low	3%	49	10%	6,226,000	13%
Moderate	24%	88	18%	12,421,000	26%
Middle	44%	187	38%	13,790,000	29%
Upper	28%	163	34%	15,010,000	32%
TOTALS	100%	487	100%	47,447,000	100%

Response to Complaints

The bank has received no CRA-related complaints since the last performance evaluation.

Fair Lending Analysis

The bank is in substantial compliance with Fair Lending laws and regulations. Our fair lending review, conducted along with this examination, found no unusual patterns or discriminatory lending practices