



Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

April 4, 2007

CRA Decision #138
May 2007

Mr. Michael B. Cahill
Executive Vice President & General Counsel
City National Bank
555 South Flower Street, 18th Floor
Los Angeles, California 90071

Re: Application for Business Bank of Nevada, Las Vegas, Nevada to merge with and into City National Bank, Beverly Hills, California
OCC Control Number: 2006-WE-02-0030

Dear Mr. Cahill:

This letter is in response to the above referenced Application. Based on a thorough evaluation of all information available to the Office of the Comptroller of the Currency (“OCC”), including the representations and commitments made in the Application and by the Bank’s representatives, the OCC grants approval of the proposal for Business Bank of Nevada, Las Vegas, Nevada (“Business Bank”) to merge with and into City National Bank, Beverly Hills, California (“City National”), under the charter and title of the latter.

The OCC reviewed the proposed transaction under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have significant anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider “. . . the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including in overseas branches,” 12 U.S.C. § 1828(c)(11). We considered these factors and found them consistent with approval under the statutory provisions.

Community Reinvestment Act Review

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the Applicant’s record of helping to meet the credit needs of its communities, including low- and moderate-income (“LMI”) neighborhoods, when evaluating certain applications, including merger transactions that are subject to the Bank Merger Act, 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the records of City National and Business Bank, and other information

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available to the OCC as a result of its regulatory responsibilities, revealed no evidence indicating that the banks' records of helping to meet the credit needs of their communities, including LMI neighborhoods, are less than satisfactory.

CRA Performance and Ratings

City National

City National was assigned an overall "Satisfactory" CRA performance rating in the CRA Performance Evaluation ("PE") dated January 23, 2006, which was performed by the OCC.¹ City National received a "High Satisfactory" rating under the lending test, an "Outstanding" rating under the investment test, and a "High Satisfactory" rating under the service test. In that PE, the OCC found that City National had an excellent record of community development lending with an emphasis on job creation, affordable housing, and community services for LMI persons, as well as an excellent level of activity in small loans to businesses. In addition, the OCC found that City National had an excellent volume of investments, particularly in entities that promote affordable housing for LMI persons. No evidence of discriminatory lending practices was identified and no violations of fair lending laws or regulations were cited.

Business Bank

Business Bank was assigned an overall "Satisfactory" CRA performance rating in the PE dated January 10, 2005, which was performed by the Federal Reserve Bank of San Francisco ("FRB").² The FRB found an adequate geographic distribution of loans with no conspicuous gaps, and reasonable distribution of loans to businesses of different sizes. No evidence of discriminatory lending practices was identified and no violations of fair lending laws or regulations were cited.

Public Comments

The OCC received a total of 31 comment letters from community groups and organizations (collectively referred to as "the Commenters") protesting the Application on various bases. Five of these comment letters requested that the Application be denied and that a public hearing be held. The discussion below summarizes the major issues raised by the commenters. While the OCC has carefully considered all of these comments, we did not find that the issues raised by the commenters constitute a basis for denial of the Application.

¹ City National was evaluated using the Large Bank examination procedures. The small business loan data evaluation period was between January 1, 2003, and September 30, 2005. The evaluation period for community development loans, qualified investments, and community development services was from January 14, 2003, through January 23, 2006.

² Business Bank was evaluated using the Small Bank examination procedures. The evaluation period was from January 1, 2003, through September 30, 2004.

CRA Commitments and Agreement

Several commenters raised issues with regard to either existing or desired CRA commitments and/or agreements between City National and the community groups. However, the OCC does not require or enforce commitments and agreements between a bank and community groups. 66 Fed. Reg. 36,620, 36,640 (Question and Answer No. 2, § 29(b)). Further, the CRA does not require banks to enter into agreements with private parties. *Id.* The OCC's evaluation of a bank's CRA performance is based on the bank's actual activities, regardless of whether they are pursuant to agreements with third parties.

Home Mortgage Lending

Several commenters raised concerns about what they believe to be a lack of home mortgage lending to individuals in LMI communities, particularly to LMI and minority persons in Los Angeles, the bank's largest service area. The commenters note that City National made very few home mortgage loans to LMI and minority borrowers.

City National responded that it does not actively market home mortgage loan products to the general public. It cited low actual overall market share in home mortgage lending as a direct consequence of the lack of marketing. City National represented that the vast majority of City National's home mortgage loans are "accommodation" loans to existing commercial, entertainment, and trust clients. City National asserted that its limited offering of home mortgage products is a longstanding feature of its business model. The bank will review its policies and processes surrounding mortgage lending and has committed to correcting any misconceptions regarding mortgage lending to the general public.³

Small Business Lending

Some commenters raised concerns about what they believe to be a relatively low volume and dollar amount of small business lending and Small Business Administration ("SBA") lending to minority borrowers.

City National represented that during 2006, it implemented a focused sales strategy in order to increase CRA-qualified small business loans. The program specifically targets businesses with gross annual revenues less than or equal to \$1 million and that are located in LMI census tracts. The strategy employed to increase CRA qualified small business loans includes hiring a CRA Sales Officer to develop and implement measures for sourcing and booking CRA loans, increasing the CRA loan goals in 2006 and again in 2007, and exploring different strategies to

³ Commenters cited the advertisement of home mortgage products on City National's internet web site as evidence that mortgage loan products are offered to the general public. After reviewing the web site content, City National eliminated entirely any reference to mortgage lending products on the web site.

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increase production of SBA loans, including developing more flexible underwriting and more aggressive production goals.

In 2006, City National participated with local Community Development Corporations (“CDC’s”) and Community Development Financial Institutions (“CDFI’s”) on 13 technical assistance programs. It also experimented with a direct mail campaign to specific LMI zip codes. While the technical assistance programs were successful, the direct mail campaign was not. The bank plans to continue to partner with local CDCs and CDFIs with technical assistance programs, specifically to those CDCs and CDFIs that reach out more effectively to LMI business owners.

Loans to Small Nonprofit Organizations

Some commenters raised concerns about what they believe to be a lack of lending to the smaller nonprofit organizations, particularly community-based organizations that undertake smaller affordable housing and neighborhood revitalization developments. City National’s response cited a CRA Loan Pilot Program launched in October 2006 that focused on small business loans under \$100,000 to businesses and nonprofit organizations with revenues under \$1 million. According to City National’s projections, the needs of community-based organizations that undertake smaller affordable housing and neighborhood revitalization developments will be enhanced by the availability of loan amounts ranging from \$5,000 to \$100,000 to businesses and nonprofit groups with less than \$1 million in revenue, a simplified business loan application and loan approval memorandum requiring less documentation, flexible loan pricing, and flexible repayment terms.

According to City National, this product was made available bank-wide on March 31, 2007, and will target LMI communities. City National believes this product will address the needs of creditworthy small businesses, nonprofits, and community-based organizations that have smaller financing needs.

In sum, our review of the record on the Application, including the materials submitted with the Application, the public comments, responses to the public comments, representations of the applicant, and our review of supervisory materials, has not revealed any information inconsistent with approval.

Request for Public Hearing

Several commenters requested that the OCC conduct a public hearing. The general standard the OCC applies to determine whether to hold a public hearing is contained in 12 C.F.R. § 5.11 (b), which provides:

The OCC generally grants a hearing request only if the OCC determines that written submissions would be insufficient or that a hearing would otherwise benefit the decision-

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making process. The OCC also may order a hearing if it concludes that a hearing would be in the public interest.

After careful consideration, the OCC determined not to hold a public hearing. The OCC is not aware of any reason why written comments would be insufficient or why a hearing would be in the public interest. The OCC has thoroughly reviewed all of the written comments submitted, including those received after the close of the public comment period.

As a reminder, the Western District Office must be advised in writing in advance of the desired effective date for the merger so that the OCC may issue the necessary certification letter. The effective date must follow the applicable 15-day Department of Justice injunction period and receipt of any other required regulatory approval.

The OCC will not issue a letter certifying the consummation of the transaction until we have received an original Secretary's Certificate from both banks confirming that the required shareholder approvals have been obtained.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

If you have any questions, contact Senior Licensing Analyst Jim Bundy at 720-475-7650.

Sincerely,

/s/

Lawrence E. Beard
Deputy Comptroller for Licensing

Enclosure