



**Comptroller of the Currency
Administrator of National Banks**

Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105
(415) 545-5900

PUBLIC DISCLOSURE

April 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Channel Islands National Bank
Charter Number 20344**

**155 "A" Street
Oxnard, California 93030**

**Office of the Comptroller of the Currency
550 North Brand Blvd., Suite 500
Glendale, California 91203**

<p>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.</p>

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 **Channel Islands National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 23, 1997. 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.**”

- The bank's loan to deposit ratio is reasonable given the bank's size and the strong local competition it faces.
- A substantial majority of the bank's loans are within its assessment area.
- The distribution of the bank's loans to borrowers of different income levels and to businesses of different sizes is satisfactory.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Channel Islands 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:

Channel Islands National Bank (CINB) is a \$75 million community bank that opened in September 1985 to serve Ventura County. The main office is located in downtown Oxnard, California. The bank opened a branch approximately three miles north of the main office in November 1985 and a branch in Camarillo in 1991. All offices have attached ATMs and night depositories. Ventura County is approximately 60 miles northwest of downtown Los Angeles.

The bank's overall condition is satisfactory and no financial, economic, legal or demographic impediments exist which affect the bank's ability to meet the credit needs of its assessment area (AA). Management primarily directs its lending focus towards conventional home loans and commercial real estate lending, commercial business loans, and consumer loans, including home equity loans. In addition, the bank's mortgage department originates mortgage loans and sells most of them in the secondary market. In 1996 the bank originated and sold 25 mortgage loans. Real estate secured and commercial business loans represent 43% of net loans totaling \$49.9 million as of March 31, 1997. Consumer loans centered in dealer indirect auto loans and conventional mortgage loans represent 28% and 29% respectively of total loans. The bank faces strong competition from several other similarly sized independent banks and multinational banks' branches. Heller Financial and The Money Store also compete aggressively in the conventional mortgage market.

The last CRA examination was in September 1994. The bank was rated Satisfactory.

DESCRIPTION OF CHANNEL ISLANDS NATIONAL BANK'S ASSESSMENT AREA:

The bank's AA includes all 130 census tracts in the Ventura County Metropolitan Statistical Area (MSA) except one (#1) which is located in the Los Padres National Forest. The bank's AA does not arbitrarily exclude low or moderate income geographies.

Based on 1990 U.S. Census data, total persons residing in the bank's AA was 662,385. The MSA median family income was \$50,103. The median housing value was \$227,800. Based on statistics furnished by The Greater Oxnard Economic Development Corporation the population of Ventura County increased to 716,100 by January 1996 and the median home selling price declined to \$206,467.

The following table identifies 43 tracts as low-and moderate-income which represent 33% of the AA.

Income Distribution of Assessment Area Census Tracts

Income Level	# Tracts by Income	% of AA	# Families by Income	% of AA
Low	4	3%	3,270	2%
Moderate	39	30%	44,201	27%
Middle	59	46%	76,651	46%
Upper	27	21%	41,060	25%
Total	129	100%	165,182	100%

The AA consists of primarily middle and upper income families, representing 71% of the total families in the area. Of the 226,459 total housing units in the bank’s AA, 62% are owner occupied. Based on *The 1997 Ventura County Economic Outlook* prepared by The University of California Santa Barbara, the 1996 unemployment rate for Ventura County was 7.1% representing a decline from a high of 8.9% in 1992 and 1993. Principal cities include Camarillo, Oxnard, Port Hueneme, Thousand Oaks and Ventura. Retail trade, education, engineering and accounting services, durable goods manufacturing, construction, and agriculture created most of the new employment opportunities in 1996. Major employers include the U.S. Navy, County of Ventura, and the public utility, GTE.

We contacted two community groups during our examination. We made one new contact (The Greater Oxnard Economic Development Corporation) and updated another (Oxnard Chamber of Commerce) previously conducted by another agency. The general feedback was that all banks effectively meet the credit needs of the community and that CINB is very effective.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

CINB’s loan-to-deposit ratio meets the standards for satisfactory performance.

As of December 31, 1996, the bank’s average loan-to-deposit ratio calculated over the past eight quarters was 68%. This is more than reasonable given the bank’s size and the strong local competition it faces. The ratio exceeds the average for six peer banks. For the same period, the average loan-to-deposit ratios for these similarly sized Ventura County community banks ranged from 53% to 67%.

Lending within the bank's assessment area exceeds standards for satisfactory performance. A significant majority of its loans are within its assessment area.

The bank contracts with an outside firm to perform a geographic analysis (geo-coding) of its loan portfolio. In December 1996, the analysis identified those loans made within and outside of the AA. We did not find any geo-coding errors in our random sample of 10 loans. The following chart shows that 89% of the number and 90% of the dollar volume of CINB's loans booked as of December 1996 were within the bank's AA.

Loans Made Within the Bank's Assessment Area

# Loans in AA	% of Total (#)	\$ Loans in AA (000)	% of Total (\$)
1,261	89%	\$32,567	90%

In addition, we reviewed ten recent SBA loans and determined they were all granted to borrowers within the bank's AA.

The distribution of the bank's loans to borrowers of different income levels and to businesses of different sizes is satisfactory.

The bank makes loans to businesses and individuals of varying income levels. We based our conclusions regarding business loans on bank supplied information and found it to be accurate. We sampled 70 business loans made in the AA (37% by number of total business loans in the bank's AA as of December 1996) to determine the level and dollar volume of loans to small businesses (less than \$1 million annual revenues). Although the bank makes more loans to large businesses, small business lending is satisfactory (see chart on the next page). As of December 1996, 37% of the number and 19% of the dollar volume were to small businesses. And the bank participates in the SBA low document (low doc) program. This program provides for small business loans up to \$100M. As of December 1996 twenty of the bank's 33 SBA loans were under the low doc program.

Business Loans by Revenue Within the Bank's Assessment Area

Revenue Type	# Loans	% of Total (#)	\$ Loans (000)	% of Total (\$)
<or equal to \$1 million (small businesses)	26	37%	1,042,628	19%
> \$1 million (large businesses)	44	63%	4,315,956	81%
Total Business Loans	70	100%	5,358,584	100%

To obtain information regarding consumer loans, we randomly sampled 40 consumer loans representing 4% by number and 2% by dollar volume of all consumer loans within the bank's AA as of December 1996.

The following chart shows the distribution of the 40 consumer loans sampled within the AA. While 29% of the families within the bank's assessment area are designated low- or moderate-income, the bank made 40% of the number and 32% of the dollar volume of consumer loans to these groups.

Consumer Loans by Income Level Within the Bank's Assessment Area

Income Level	# Loans	% of Total (#)	\$ Loans (000)	% of Total (\$)
Low/Moderate	16	40%	\$ 75	32%
Middle/Upper	24	60%	158	68%
Total	40	100%	\$233	100%

CINB's geographic distribution of credit within its assessment area exceeds the standards for satisfactory

The following chart shows a substantial level of loans made in low- and moderate- income census tracts. This results from the bank's large volume of indirect used auto loans made to residents of these areas and a large number of business loans in these tracts. While 33% of the census tracts within the AA are designated low- and moderate- income, the bank has made 62% of the number and 64% of the dollar volume of its loans within these tracts.

Lending Within the Bank's Assessment Area by Census Tract Type

Census Tract	# Loans	% of Total (#)	\$ Loans (000)	% of Total (\$)
Low	589	47%	\$14,332,759	44%
Moderate	188	15%	6,716,205	20%
Middle	390	31%	8,353,042	26%
Upper	94	7%	3,165,755	10%
Total	1,261	100%	\$32,567,761	100%

The bank is in compliance with all anti-discrimination laws and regulations.

We conducted a concurrent Fair Lending examination of the bank and found no evidence of disparate treatment or discriminatory lending practices. The bank complies with the provisions of anti-discrimination laws and regulations.

The bank has received no complaints regarding Community Reinvestment issues since the last examination.

There are no complaints in the bank's Community Reinvestment Act Public File.

