



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**265 North Beverly Drive
Beverly Hills, CA 90210**

**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 **First Charter Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 16, 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**”.

- First Charter Bank, N.A.’s loan activity, as reflected in its loan-to-deposit ratio, exceeds standards for satisfactory performance despite intense market competition and limitations imposed by its capital level.
- The majority of the bank’s loans are made to borrowers within the assessment area.
- The bank’s loans are reasonably distributed among borrowers of various income levels within the assessment area.

The following table indicates the performance level of **First Charter Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	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 prior examination		

DESCRIPTION OF INSTITUTION:

First Charter Bank, National Association (FCB), which opened on April 6, 1983, is headquartered in the City of Beverly Hills. In addition to the main office, FCB also operates a branch which is located in the community of West Los Angeles. As of September 30, 1996, FCB reported total assets of \$114 million. In 1994, the Office of the Comptroller of the Currency (OCC) placed FCB under a Formal Agreement which required the bank to improve its capital and earnings. In 1995, the OCC removed the Agreement. However, as a result of continued losses, the bank was deemed critically undercapitalized for regulatory purposes in July 1996. Capital limitations restricted the bank's ability to make loans. FCB obtained additional capital in September 1996. The bank had a satisfactory Community Reinvestment Act (CRA) rating at the 1994 OCC examination.

FCB is a commercial bank. Its lending focus is small- and medium-size businesses. Approximately 73% of the bank's loans are commercial (business) loans. In addition to commercial loans, FCB's loan portfolio comprises the following: lines of credit (5%), Small Business Administration (SBA) loans (2%), consumer loans (18%), and mortgage loans (2%). FCB does not routinely market consumer loan products. They arise primarily as adjuncts to the commercial loan activity. Competition among financial institutions serving the assessment area is intense. There are a number of community banks, branches of regional and multi-national banks, and savings and loan associations competing for the available business.

DESCRIPTION OF ASSESSMENT AREA:

FCB's assessment area consists of 842 census tracts within the Los Angeles Metropolitan Statistical Area (MSA). The bank has not arbitrarily excluded low- and moderate-income census tracts from its assessment area. Of the 842 tracts in the assessment area, 126 are designated as low-income and 211 as moderate-income. There are 230 middle- and 273 upper-income tracts. Additionally, there are two tracts for which the 1990 census did not report income information.

Southern California's economy has been dominated by the aerospace, defense, and real estate industries. However, when the local economy was in recession in the late 1980's, the real estate market suffered major setbacks. The aerospace and defense industries also suffered severely when the defense budget was cut in the early 1990's. Today, the local economy appears to be improving slowly, the unemployment rate is falling, and job opportunities are increasing in the entertainment industry.

Within the bank's assessment area, there are 12 incorporated cities and a number of communities. The 1990 census reported a population of 4,187,485 persons residing within the assessment area. The population included 176,684 unemployed persons and 440,154 individuals over the age of 65. Rental units accounted for 60% of the total housing stock. The 1990 MSA median family income was \$39,035.

Our six contacts with community organizations indicate that there are needs in the assessment area for low-cost banking services as well as loans for small businesses, affordable housing construction, and rehabilitation of existing housing stock. Our contacts include an SBA district office, a nonprofit public benefit entity, two grass-roots organizations, a community-based private nonprofit organization, and a municipal community development department.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

FCB’s loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank reported an average loan-to-deposit ratio of 63.3% over the last eight quarters, despite intense market competition and limitations imposed by its capital level. This ratio compares favorably with banks having similar asset size and business focus within the assessment area. The average loan-to-deposit ratio of eight such banks is 63.1%.

LENDING IN ASSESSMENT AREA

FCB’s record of lending within its assessment area is satisfactory. The majority of the bank’s loans originated between May 1, 1994, and November 30, 1996, were made to borrowers within the assessment area. We sampled 30 commercial loans to confirm the bank’s information. Our results showed differences between our numbers and the bank’s. However, since the differences are not material, we elected to use the bank’s numbers.

Loans Made within Assessment Area

Total Loans by Number and Dollar Amount	Total Loans Made Within the Bank’s Assessment Area	Percent of Total Loans Made within the Bank’s Assessment Area
805	672	83.48%
\$312,797M	\$259,443M	82.94%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

FCB’s loans are reasonably distributed among borrowers of various income levels within its assessment area. More than 73% of the loans originated between May 1, 1994, and November 30, 1996, consisted of commercial loans to businesses. We reviewed a sample of 30 commercial loan files which showed that 50% of the number of loans are made to businesses with gross annual revenues less than \$1,000,000, and the other 50% of the loans are made to businesses with gross annual revenues exceeding \$1,000,000. A majority (58%) of the bank’s 496 commercial

loans within its assessment area are for amounts less than \$250,000, and the largest is \$2,500,000. Refer to chart below for details.

Size of Commercial Loans within Assessment Area

Size of Loans	Number of Loans	Percent of Commercial Loans
<\$100,000	133	27%
\$100,000 to <\$250,000	156	31%
\$250,000 to <\$500,000	62	13%
\$500,000 to <\$1,000,000	54	11%
\$1,000,000 and Over	91	18%
Total	496	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's loans are not sufficiently dispersed among low- and moderate-income census tracts throughout its assessment area. Refer to charts below for details. The distribution of loans is impacted by FCB's business focus and capital constraints.

Distribution of Loans by Numbers within Assessment Area

Income Characteristics of Census Tract	Percent of Total Census Tracts	Number of Loans	Percent of Loans
Low Income	16%	36	5%
Moderate Income	25%	47	7%
Middle Income	27%	139	21%
Upper Income	32%	450	67%
Total	100%	672	100%

Distribution of Loans by Dollars within Assessment Area

Income Characteristics of Census Tract	Percent of Total Census Tracts	Dollars Loaned	Percent of Dollars Loaned
Low Income	16%	\$ 9,928,000	4%
Moderate Income	25%	\$ 27,017,000	11%
Middle Income	27%	\$ 50,143,000	19%
Upper Income	32%	\$172,355,000	66%
Total	100%	\$259,443,000	100%

RESPONSE TO COMPLAINTS:

FCB has not received complaints associated with its performance under the provisions of the CRA since the last OCC examination in May 1994.

RECORD OF COMPLIANCE WITH ANTI-DISCRIMINATORY LAWS:

We did not identify any violations of anti-discriminatory laws or regulations.