

PUBLIC DISCLOSURE

June 16, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

California United Bank

12-06-1730-0000

**16030 Ventura Blvd.
Encino, CA 91436**

**FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET
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.

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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 **California United Bank** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of **June 16, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION

CALIFORNIA UNITED BANK'S CRA RATING: This institution is rated satisfactory.

The institution has affirmatively addressed the credit needs of the community under the lending, investment and service tests. Under the lending test, the distribution among geographies and borrowers of different income levels was adequate, the distribution to businesses of different sizes was reasonable, a substantial majority of the bank's loans were extended within the assessment area, and the volume of lending was responsive to the credit needs of the community. The bank's community development lending also demonstrated a commitment to meet community credit and housing needs. The bank's performance under the service test was based predominantly on increased accessibility resulting from the bank's expanded branch network, including an increased presence of branches in low- and moderate-income geographies. The degree to which the community development services responded to identified community development needs supported the high satisfactory performance under this test. Under the investment test, the bank's performance was low satisfactory primarily due to the low volume of investments; however, the investment choices made by the bank are responsive to the community development needs and support low- and moderate-income areas as well as low- and moderate-income individuals.

The following table indicates the performance level of California United Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS for CALIFORNIA UNTIED BANK		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION:

California United Bank, a subsidiary of California United Bancorp, opened for business on April 14, 1982. A new management team was introduced in 1992, and in 1994, the bank established three commercial loan production offices in the State of California: Camarillo in Ventura County, San Gabriel in the City of Industry, and South Bay in the City of Gardena. Two branch offices existed in Encino and Los Angeles. In March 1995, California United Bank acquired Corporate Bank, a Santa Ana based community bank with two branches in Orange County and \$70 million in assets. California United Bank's merger with Home Bank, in August of 1996, created an institution with assets of \$818 million. The merger provided California United Bank with an expanded network of 21 branches and a broader range of products and services, enabling the bank to serve both the business and retail markets. The combined bank has four offices located in Los Angeles County: Los Angeles, Encino, San Gabriel, and Gardena. The bank has an office in 16 cities in Orange County including Brea, Irvine, Los Alamitos, Westminster, Hacienda Heights, Lomita, Manhattan Beach, Paramount, Redondo Beach, San Pedro, Signal Hill and Torrance. One office is located in Camarillo, Ventura County.

In December of 1996, the bank completed a full conversion of the three separate loan and depository systems that resulted from the Corporate Bank and Home Bank mergers. Upon completion of the conversion process in March of 1997, the bank concentrated on implementing policies, procedures, and training to standardize operations and improve customer service. On July 3, 1997, California United Bancorp merged with Bancorp Hawaii, the parent corporation of Bank of Hawaii.

The mergers with Corporate Bank, and particularly Home Bank, expanded California United Bank's resources. California United Bank acquired a large volume of core deposits in the merger with Home Bank, thereby increasing its lending capacity. The bank's loan-to-deposit ratio as of March 31, 1997, was 60.2 percent which is below both the state average of 66.98 and the national average of 76.27. Management indicated that its target loan-to-deposit ratio is approximately 80 percent. The acquisition of Home Bank also brought additional retail loan products and services to California United Bank. Prior to the merger, California United Bank offered a consumer Visa credit card on an accommodation basis only. After the merger, the bank began offering secured and unsecured personal loans, direct and indirect automobile loans, home equity lines, and overdraft protection. Bank customers also gained additional access to the bank with 14 new branch locations and an ATM network of 14 proprietary teller machines.

During the period of review, management focused a substantial portion of its attention on completing the aforementioned mergers. Integrating the institutions

required, among other things, determination of the feasibility of the acquired bank's product lines and corresponding business strategies, personnel changes, conversion of three different service systems into a new computer system, consolidation and standardization of operating activities and maintenance of customer service. There were no financial or legal constraints that affected the lending capacity of the bank.

Historically, California United Bank focused on asset-based lending¹ to businesses with revenues in excess of \$5 to \$7 million and loan requests greater than one million dollars. In 1996, management modified this business focus to encompass smaller companies and retail customers and developed a small business division to solicit and build relationships with small- and medium-size businesses. Although asset-based lending to large businesses remains the primary target market, bank management broadened its range of commercial products in order to capture a greater portion of the business market and to attract the deposit relationships of smaller businesses. The newly developed loan products include: a \$50,000 unsecured line of credit, a standard business credit line from \$50,001 to \$250,000, and a standard business loan from \$10,001 to \$250,000. Management also implemented credit scoring to expedite the approval process for businesses requesting loans of \$50,000 or less. To facilitate additional service to the business community, management established a Small Business Administration lending program, an investment division and an import/export division. Although retail products and services are now available, retail credit products are not a major credit product and represented less than 15 percent of the bank's loan portfolio as of March 31, 1997.

DESCRIPTION OF LOS ANGELES AND ORANGE COUNTY ASSESSMENT AREA:

California United Bank operates 21 branch offices, 20 (95 percent) of which are located in the Los Angeles and Orange County assessment area. The bank has four offices located in Los Angeles County: Los Angeles, Encino, San Gabriel, and Gardena. Additionally, offices are located in 16 cities in Orange County including Brea, Irvine, Los Alamitos, Westminster, Hacienda Heights, Lomita, Manhattan Beach, Paramount, Redondo Beach, San Pedro, Signal Hill and Torrance. Of those offices, one percent is located in a low-income geography and 7 (35 percent) are located in moderate-income geographies.

California United Bank has designated a large economically and ethnically diverse assessment area that contains 1,669 census tracts in both Los Angeles and Orange Counties. The assessment area includes 77 percent (1266 census tracts) of the census tracts in Los Angeles County and 86 percent (403) of the census tracts in Orange County. The assessment area is comprised of 11

¹ Asset based lending is financing that advances credit secured by a firm's balance sheet assets, such as inventory, receivables, or collateral other than real estate.

percent low-income tracts, 25 percent moderate-income tracts, 34 percent middle-income tracts and 30 percent upper-income tracts.

Of the 6.5 million people residing in the assessment area, 10 percent reside in low-income tracts, 29 percent reside in moderate-income tracts, 34 percent reside in middle-income tracts and 27 percent reside in upper-income tracts. The major political subdivisions include the cities of Los Angeles, West Hollywood, Inglewood, Torrance, Long Beach, Anaheim, Orange, Santa Ana, Garden Grove, and Irvine.

Some of the major employers in the assessment area include; Walt Disney Company, American Stores Company, McDonnell Douglas Corporation, Boeing Corporation and Bank America Corporation. The performance context developed by the institution indicates that 84 percent of all businesses in Los Angeles County and 81 percent of all businesses in Orange County are small businesses. Similarly, the 1990 U.S. Census Data indicates that 94% of the establishments in Los Angeles and Orange Counties have less than 50 employees.

The economic environment for businesses has improved in the counties as evidenced by the 8.9 percent increase in the number of start-up companies in Los Angeles County and the 5.9 percent increase in the number of start-up businesses in Orange County.² However, the assessment area still contains economically distressed areas, such as South Central Los Angeles. Additionally, parts of the assessment area experienced an economic recession, endured the Northridge earthquake, and experienced the destructive civil disturbance in 1992. These events have created many opportunities for lenders to assist in the provision of community development services, community development lending and qualified investments. Many organizations serving distressed areas encourage partnerships between private, nonprofit, and public sector organizations to coordinate resources to address community credit needs.

Community contacts were conducted to obtain current information about the community. These contacts included a small business development corporation, an economic development corporation, a state member bank (serving a similar assessment area), and a non-profit organization supporting affordable housing. Some of the credit needs identified by the contacts included, loans for start-up financing, small business loans up to \$50,000, working capital loans, expansion financing, technical assistance for small business owners, business lines of credit, and auto loans. Affordable housing was also a need identified by the contacts. The assessment area contains many lenders and the competition among lenders for opportunities, particularly for traditional qualified investments, may in some cases limit a lenders ability to participate in such investments.

² Taken from the April 25, 1996 issue of the San Diego Daily Transcript.

CONCLUSIONS BASED ON PERFORMANCE TESTS IN THE LOS ANGELES AND ORANGE COUNTY ASSESSMENT AREA

The Los Angeles and Orange County assessment area contains 95 percent of the institution's branches and lending activity. Therefore, the overall rating of the institution is based primarily on the bank's performance in this assessment area. Examiners also performed a limited review of the Ventura County Assessment area to ensure that the institution's lending performance did not reveal areas of concern.

LENDING TEST

As California United Bank is primarily a commercial lender, thus generating a greater percentage of commercial loans, more emphasis was placed on the bank's lending activity to small businesses under the lending test. The bank's distribution of loans was evaluated based on a sample of two major product lines; small business loans and consumer auto loans. The auto loans were included in the sample at the bank's option. The sample included 722 small business loans and 509 auto loans extended by the bank between January 1, 1996 and April 30, 1997.

Lending Distribution by Geography:

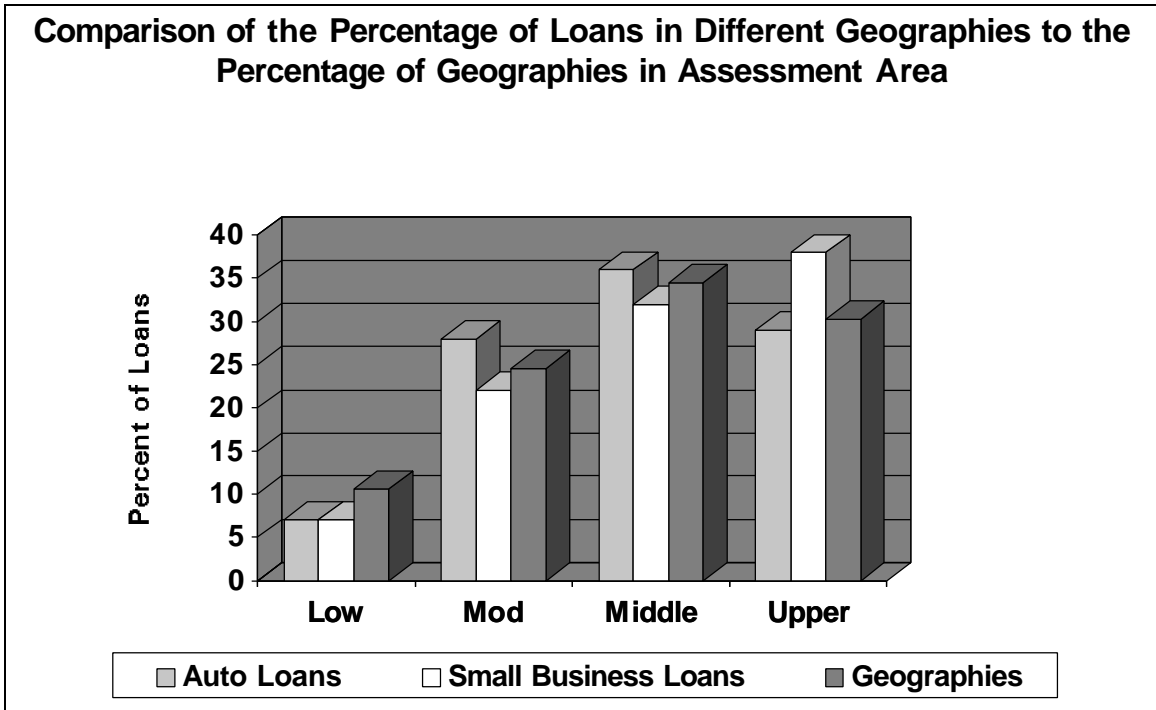
A review of the distribution of small business and auto loans was conducted to determine the bank's performance in meeting the credit needs of low- and moderate-income geographies. Since the bank historically sought loans greater than \$1 million to businesses with revenues in excess of \$5 to \$7 million, examiners placed more emphasis on the geographic distribution of lending versus the distribution of lending to businesses of different sizes. Similarly, as the bank's performance was evaluated within the context of its historical business focus, more emphasis was placed on the business lending over the auto lending. The majority of the loans reported by the bank were small business loans which are the major credit product of the bank. The small business loans represented 58 percent of the total loans and 95 percent of the total dollars reported. In evaluating the performance, examiners considered the location of branches, the bank's target market and the overall distribution of the bank's lending. Additionally, community contacts were conducted to help assess the level of lending opportunities, and the level of competition for those opportunities.

Small Business Lending³

As part of the examination, examiners analyzed groups of geographies containing little or no lending activity. Overall, the bank's lending to small businesses was

³ Small business loans are defined as loans to businesses in amounts less than \$1 million.

reasonably distributed throughout its Assessment Area, including low- and moderate-income neighborhoods. Examiners identified a lack of loan penetration in one cluster of low- and moderate-income geographies located north of and including the City of Inglewood; therefore, examiners targeted that area for investigation. Community contacts indicated that the area north of the City of Inglewood was primarily residential with retail businesses which would provide a reasonable explanation for the lack of asset-based business loans in the area. Bank management located 277 retail, manufacturing or distribution businesses with annual revenues between \$0 and \$200 million in the City of Inglewood. Bank management indicated that it tele-marketed to the City of Inglewood, however, the bank's focus on asset based lending to larger businesses limited the lending opportunities in this area. In addition, the bank extended business loans in other low- and moderate-income areas, including areas in close proximity to the City of Inglewood such as Hawthorne, Lynwood, and Compton. Additionally, with such a large assessment area, the absence of lending in some geographies is reasonable. Moreover, on a percentage basis, the number of loans in low- and moderate-income tracts compared to the number of low- and moderate-income tracts in the assessment area, as shown in the following chart, further demonstrated the reasonableness of the distribution.



Auto Lending

The percentages of both the number and dollar volume of direct and indirect auto loans in geographies of different income levels were also compared to the distribution of such geographies in the assessment area. The table above demonstrates that the bank's auto lending reasonable penetrated low-income geographies and favorably penetrated moderate-income geographies.

For example, the bank extended 7 percent of the auto loans in low-income census tracts and 31 percent in moderate-income tracts. The distribution in low-income census tracts was reasonable since low-income census tracts comprise 11 percent of all tracts. The penetration into moderate-income tracts was favorable given the fact that moderate-income tracts comprise 25 percent of all tracts. The comparison based on the percentages of the dollar volume of lending demonstrated a similar performance with 7 percent of total loan dollars extended in low-income tracts and 28 percent extended in moderate-income tracts.

Additionally, a visual analysis of the loan dispersion on a map of the assessment area revealed a strong penetration into low- and moderate-income geographies, including the City of Inglewood, which lacked small business loan penetration.

Overall, the bank's lending demonstrated a good penetration throughout the assessment area, including low- and moderate-income neighborhoods. Not only is the distribution of small business loans throughout the assessment area reasonable, but the distribution of auto lending enhanced the bank's record, particularly into moderate-income geographies and areas that experienced a lack of business lending.

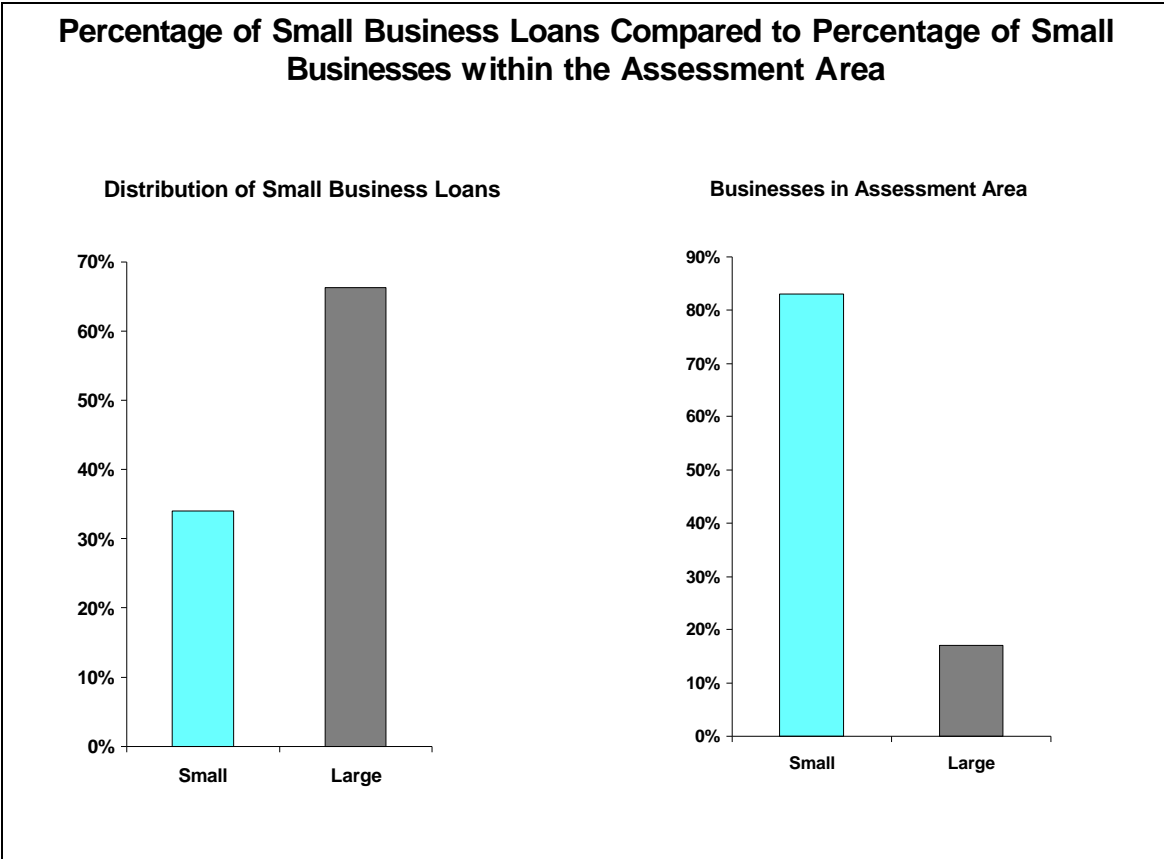
Lending Distribution by Borrower Income or Business Revenue:

In order to determine the extent to which the bank was addressing the credit needs of small businesses and low- and moderate-income individuals, examiners compared the bank's record of lending to small businesses to the number, size and type of business in the assessment areas. Additionally, the distribution of auto lending to individuals of different income levels was compared to the income characteristics of the population in the assessment area.

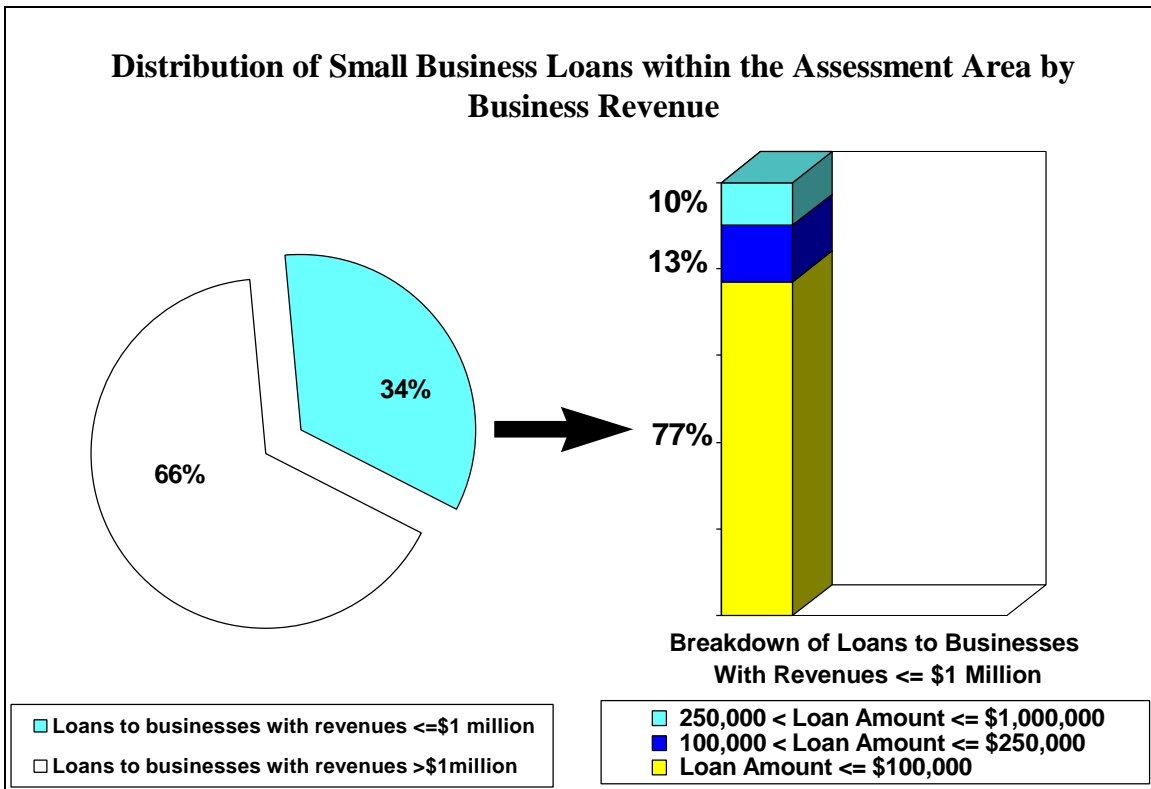
Small Business Lending

Compared to the percentage of small businesses located in the bank's assessment area, the percentage of loans extended to small businesses is low. While over 80% of the assessment area's businesses are small businesses less than 35% of the bank's business borrowers are small businesses. However, in the context of management's focus on larger businesses, the percentage of loans is not

unreasonable. In August of 1996, management created a small business division to broaden its business focus to include small- and medium-size businesses. Management developed a business line of credit product in amounts ranging from \$10,000 to \$50,000, a standard business credit line in amounts from \$50,001 to \$250,000 and a standard business term loan product in amounts from \$10,001 to \$250,000 to effectively penetrate the small business market. Business lines of credit and smaller dollar loans have been identified as credit needs by community contacts. The bank first approved loans under these new products in September of 1996. The following chart compares the number of loans to small businesses compared to the number of small businesses in the assessment area.



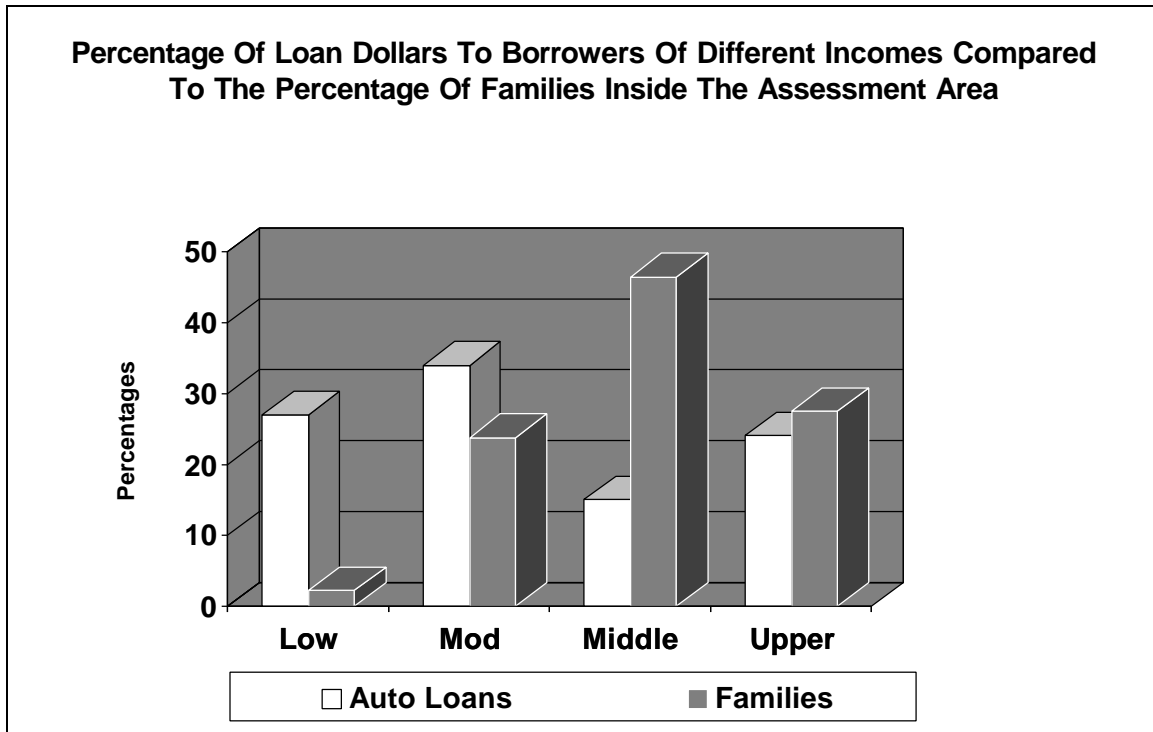
As demonstrated in the above chart, 34 percent of the bank's small business loans (which also represents 18 percent of the dollar volume of loans) were extended to small businesses. This is a low level of lending to small businesses since small businesses constitute approximately 81 percent of all the businesses located within the assessment area. However, of the number of small business loans extended, 77 percent were extended in dollar amounts less than \$100,000. This is favorable since smaller dollar loans have been identified as a credit need by community contacts. The following chart breaks down the small business lending by dollar volume.



Auto Loans

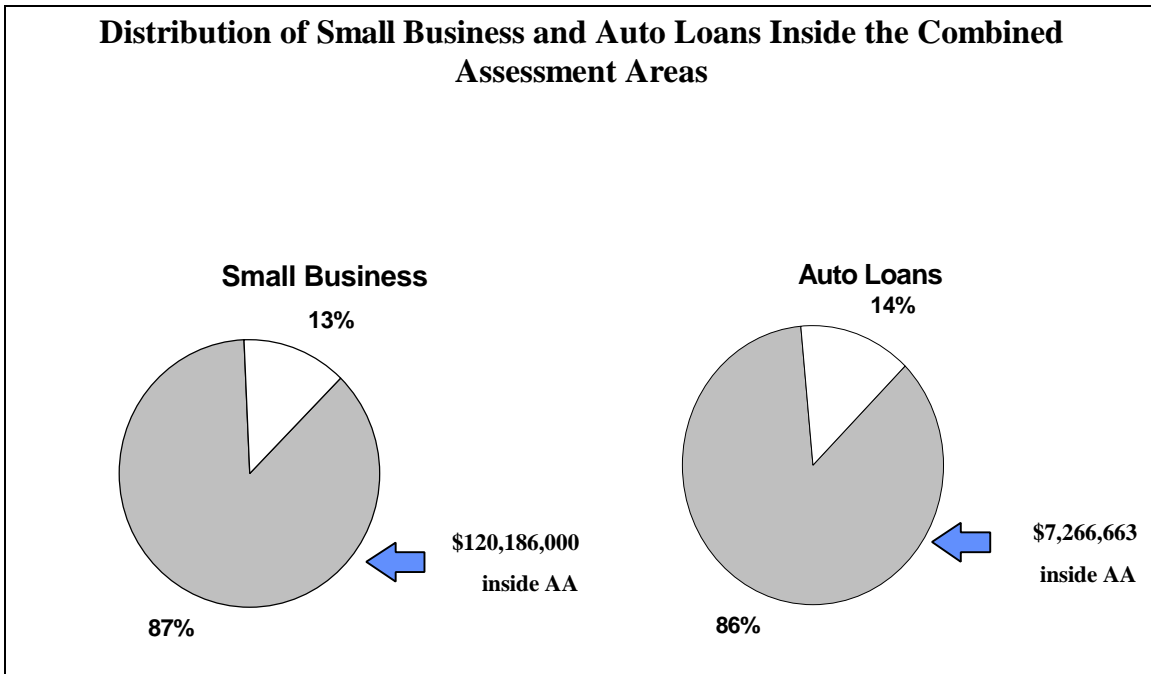
In contrast to the small business lending, the automobile lending displayed a reasonable distribution to borrowers of all income levels with a strong record of lending to low- and moderate-income individuals. The bank extended 27 percent of the auto loans to low-income individuals and 34 percent to moderate-

income individuals. This compares favorably to the low- and moderate-income populations of 24.8 percent and 17.1 percent, respectively. Although this type of lending is not the bank's primary business focus, it represents a substantial portion of the number of loans extended or purchased by the institution. The following chart displays the favorable distribution of lending to low- and moderate-income individuals in comparison to the demographics of the assessment area.



Assessment Area Concentration:

A substantial majority of the loans were extended within the bank's assessment area. Of the auto loan sample, 86 percent of the loans and 84 percent of the dollar volume of loans were extended within the assessment area. Similarly, 87 percent of the small business loans and 85 percent of the total dollar volume of small business loans were extended within the assessment area. The level of lending within the assessment area is reasonable given the size of the assessment area, the location of branches and the bank's business strategies.



Community Development Lending

Examiners reviewed the number and type of community development loans extended by California United Bank to measure how effectively the bank is helping to meet the community development lending needs of its assessment area.

The bank extended 11 (\$955,420) loans to small business owners located in designated enterprise zones within the assessment area. Another 4 community development loans totaling \$685,175 were extended to larger businesses in these enterprise zones. The loans helped to stabilize the area by enabling these businesses to employ low- and moderate-income individuals. One loan in the amount of \$249,500 was extended to a non-profit organization; this loan assisted the organization in its provision of temporary shelter for homeless youths.

Two loans totaling \$317,360 benefited a larger statewide area that includes the bank's assessment area. The loans were extended through the California Community Reinvestment Corporation (CCRC), a non-profit mortgage banking consortium designed to provide long-term debt financing for affordable multifamily rental housing.

Outside of the assessment area, the bank extended 12 loans totaling \$23,381,550 to finance the construction of 285 affordable single family residences for moderate-income individuals and first-time home-buyers. The high cost of land hinders the construction of affordable single family residences within the assessment area so the bank financed affordable housing in the neighboring San Bernadino County, to ensure the homes remain within the \$105,000 to \$140,000 price range. Although the housing projects were not located within the assessment area, this lending assists individuals who work in the assessment area, but can not afford to live there due to the high cost of housing.

The bank's level of community development lending demonstrates that the bank is fairly responsive to the community development needs of the assessment area.

Innovative or Flexible Lending Practices:

Examiners reviewed the bank's lending practices to determine whether the bank uses innovative or flexible lending practices to meet the assessment area credit needs. Although not innovative in the industry, management developed three new commercial loan products which demonstrate that management is responsive to the credit needs of the community. In addition, the bank now offers credit scoring for business loan applications for loan amounts under \$50,000. This allows the bank to more competitively meet the needs of small businesses. Although these products will help expand the bank's penetration into the small business market, the impact on marginal businesses may be somewhat limited. Credit scoring will generally help financially stronger businesses with clean credit histories and pass over those businesses that would not otherwise receive bank financing. Recognizing this, management developed its innovative community investment loan pool.

In 1995, the bank established a \$100,000 community investment loan pool to meet the requests for very small term loans, usually for amounts under \$50,000. Although borrowers in this loan pool must demonstrate a clear repayment ability, management allows a higher tolerance for credit risk than those loans underwritten under management's conventional guidelines. Formal underwriting standards do not exist to qualify businesses under this program; therefore, businesses are evaluated on a judgmental basis when mitigating factors such as business experience or a significant benefit to the community outweigh the business's failure to meet the bank's formal underwriting criteria. Since the bank is an approved Small Business Administration (SBA) Low-Doc lender, this pool of funds can potentially be leveraged into \$1 million in SBA Low-Doc loans. Management indicated that the bank presently has 9 loans outstanding, totaling \$141,000, with the average loan of \$15,700. Management indicated that approximately 15 loans have been processed through this pool since January of 1996. Although there have been only a limited

number of requests for consideration in this loan pool, the program assists in providing credit to businesses that would not otherwise qualify for credit.

Community contacts indicated that unless a customer has a long standing relationship with the local banks and/or a personal guarantee to support the loan, banks will generally not underwrite loans for businesses which has been in existence for less than three years and have not proven profitability. Management has, however, shown flexibility in its underwriting standards by adjusting this underwriting criteria. Provided the applicant meets all of the bank's underwriting criteria, the bank will accept two years of demonstrated repayment ability instead of three years.

Furthermore, in 1996, management committed to lend \$20 million to small and minority-owned businesses in the Greater San Fernando Valley through its participation in the Valley Economic Development Corporation (VEDC). The VEDC is a non-profit organization that serves the San Fernando Valley by providing technical assistance, training and financing to small businesses. The organization directly assists and benefits near bankable and non-bankable businesses that are not able to meet conventional underwriting guidelines. Bank management stated that they have provided loans to businesses assisted by the VEDC; however, they have not kept records of those loans.

The bank's high satisfactory performance under the lending test is based on the overall lending performance. Emphasis was placed on the adequate geographic dispersion of small business loans throughout the assessment area, including penetration into low- and moderate-income areas. While the percentage of lending to small businesses is low in comparison to the opportunities in the assessment area, it was not the target market of the institution. The bank's small business lending was supported by the reasonable geographic distribution of the auto lending, including the favorable penetration into low- and moderate-income geographies and individuals. Additionally, the substantial majority of loans in the assessment area, the bank's overall volume of lending activity, the level of community development lending and the use of innovative lending practices all demonstrate that the bank has affirmatively addressed credit needs within the assessment area.

INVESTMENT TEST

An evaluation of the bank's performance in meeting the credit needs of the community through its use of investments and grants was also conducted. Examiners considered the volume of qualified investments, the institution's capacity to make investments, opportunities for investments in the assessment area and the bank's performance in meeting the assessment area credit needs under the lending and service tests.

The bank made \$430,122 in qualified investments and donated \$90,000 in grants to a variety of organizations throughout its assessment area. Although the level of qualified investments is low in comparison to the overall investment portfolio of approximately \$220 million and the opportunities for investments within the assessment area, the level of grant activity reasonably helped meet the community development needs within the assessment area.

California United Bank has provided a wide range of investments and grants that are responsive to the community development needs within the assessment area. The most significant volume of investments included a \$200,000 investment in the North Hollywood Redevelopment Project bonds and a \$210,122 investment in the Glendale Redevelopment Project bonds. The North Hollywood Redevelopment bond supported the development of affordable housing in blighted low- and moderate-income area for seniors, large families, disabled and once homeless people. The agency also provides funding for anchor businesses such as shopping centers and theaters in low- and moderate-income areas. The Glendale Redevelopment Agency issued their bonds to support the San Fernando Road Corridor Project Area. The goals of the agency include the elimination and prevention of neighborhood deterioration and the conservation, rehabilitation, and redevelopment of the project area.

The bank provided two \$10,000 investments, one to the Bankers' Small Business Community Development Corporation of Orange County (SBDC) and one to the Clearinghouse Community Development Financial Institution (CDFI). The SBDC is a multi-bank/thrift organization formed to provide loans to small businesses, particularly those owned by minorities and women, that currently do not meet conventional bank underwriting standards. The CDFI is a for-profit institution that facilitates the production and retention of affordable housing by providing direct loans for housing development projects in Los Angeles, Orange, Riverside, and San Diego counties. The bank has provided an additional \$92,000 in charitable grants to a wide variety of community oriented organizations serving the assessment area.

California United Bank's low satisfactory performance under the investment test is primarily a result of the low volume of investment activity. However, the low volume is enhanced by the bank's responsiveness in meeting community development needs, which is demonstrated through investments it has made and grants it has extended to a variety of organizations that provide affordable housing, technical assistance to small businesses, revitalization of blighted and economically depressed areas and to other community based organizations serving low- and moderate-income areas and individuals. While the bank's primary vehicle for meeting the credit needs of its communities is through business lending, the bank has generally been responsive to community development needs through the use of investments.

SERVICE TEST

RETAIL BANKING SERVICES

An evaluation of the branching structure was performed to determine accessibility of the branches to all communities within the assessment area. Examiners considered the geographic location of offices, and the level of accessibility of the bank's branches, particularly with respect to low- and moderate-income areas.

As a result of California United Bank's merger with Corporate Bank and its subsequent merger with Home Bank, the bank has expanded from three offices located in Ventura and Los Angeles Counties to 21 offices, located in Ventura, Los Angeles, and Orange Counties. The bank operates 14 branches in Los Angeles County, 6 branches in Orange County and 1 branch in Ventura County. The cities in which it operates cover a broad geographic area and include: Encino, City of Industry, Hacienda Heights, Manhattan Beach, Los Angeles, Redondo Beach, San Pedro, Torrance, Brea, Irvine, Signal Hill, Lomita, Los Alamitos, Santa Ana, Paramount, Lynwood, Gardena, Westminster, Camarillo and Anaheim.

The expanded locations have improved the accessibility of the bank's delivery system to low- and moderate-income geographies. Prior to the merger, the bank operated only two branches in moderate-income tracts. The bank currently operates one office in a low-income census tract and 7 offices located in moderate-income tracts.

The bank's merger activity has greatly increased the communities' accessibility to the institution's branch network, including low- and moderate-income geographies. The institution's branches are reasonably accessible to essentially all portions of the assessment area.

The bank's use of alternative delivery systems was reviewed to determine the extent to which the systems enhanced the accessibility of the institution. The bank provides a toll free telephone response system, free ATM access and free banking by mail; each can assist low- and moderate-income persons. The bank's toll-free telephone response system allows the customer to conduct balance inquiries, order statements, place stop payment orders, and notify the bank of change of address or a lost or stolen access card. The system is accessible 7 days a week and 24 hours a day. California United also offers prepaid envelopes so individuals can bank by mail at no cost. Telephone banking is available for customers who do not wish to use the automated telephone system and prefer personalized attention for their banking needs. Through the merger with Home Bank, California United Bank acquired 14 proprietary automated teller machines (ATMs) and two off premises proprietary ATMs. Customers now have access to ATM's in four moderate-income census tracts. Customers and non-customers can use the ATMs free of transaction charges. Bank customers can also access non-proprietary ATMs free of charges. California United Bank also contracts with various couriers to provide business customers with access to banking services.

The bank's alternative service delivery systems effectively overcome any access limitations created by the geographical distribution of the branches and provide customer access to essentially all portions of the assessment area.

A review of the bank's record of opening and closing of offices was performed to assess the impact of these activities on low- and moderate-income communities. California United Bank closed the Fountain Valley office on December 31, 1997. The closure had limited impact on the availability of services to low- or moderate-income areas since its was located in a high-income census tract. The accounts are now handled by the Westminster Office which is four-miles from the closed Fountain Valley Office. The bank has not received any verbal or written complaints regarding the change of location. Additionally, the bank has not experienced a significant runoff in the deposits previously located at the Fountain Valley Office and did not adversely affect the bank's accessibility in low- and moderate-income geographies.

Examiners evaluated the range of services offered at each branch to determine if the services materially varied in a way that would inconvenience portions of the assessment area, particularly low- and moderate-income geographies. Examiners considered differences in the deposit and credit products available, the hours of operation, ATM access and the availability of drive-up services.

There are no differences in the credit and deposit products that are offered at each branch. The differences that exist with regard to ATM access, branch hours and drive-up facilities resulted from the merger with Home Bank. The offices that existed prior to the merger with Home Bank (Encino, City of Industry, Los Angeles, Signal Hill, Santa Ana, Gardena, and Camarillo) were set-up to service the business community; therefore, weekday business hours are shorter by one hour, weekend hours are not offered and onsite ATMs and drive-up services are not available. All other offices provide these services. The shorter hours at the primarily commercial offices are also offset by the availability of after hours tellers who are available to process business deposits that are delivered by courier.

With the exception of the Anaheim Office, the acquired Home Bank offices, four of which are located in moderate income census tracts, all provide ATM access. The Anaheim Office which is located in a low-income geography was recently acquired in the merger, the lack of an ATM at this branch was beyond management's control. Nonetheless, management will determine the feasibility of installing an ATM at the Anaheim Office at a future date.

In summary, services provided by bank do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income areas. Moreover, as the range of services offered at branches increased, so has the accessibility of those services in low- and moderate-income geographies.

COMMUNITY DEVELOPMENT SERVICES

Examiners reviewed the level of community development services provided by the institution. In assessing the bank's performance, examiners considered the capacity and constraints on management that affected the level of community development services offered, the opportunities to provide community development services in the assessment area, the responsiveness of those services to community development needs and whether management took a leadership role in the provision of services.

California United Bank has provided management expertise to various organizations. Most notably, the bank's Chief Credit Officer has been an active board member of the Valley Economic Development Corporation (VEDC) since 1995. VEDC is the largest non-profit provider of business technical assistance and other services in the San Fernando Valley. As a result of the 1994 Northridge Earthquake, the U.S. Department of Commerce granted a two-year Sudden and Severe Economic Dislocation Revolving Loan Fund Grant in the amount of \$6,250,000 to the VEDC. The grant provides loan funds to quake impacted businesses for the purpose of rebuilding, retaining jobs and creating employment opportunities in the region. Funding is available for debt restructure, business acquisition, fixed asset financing, and working capital financing, often in conjunction with other bank financing. As of the examination, \$6 million in loans have been provided under the VEDC's revolving loan fund.

The California Association for Local Economic Development gave the VEDC an award of excellence and the VEDC also received an award from the US Department of Commerce Economic Development Administration for its lending assistance in areas affected by the Northridge Earthquake.

The Chief Credit Officer has also been an active member in the 25 member advisory board of the Los Angeles Local Development Corporation (LALDC), a not-for-profit corporation. Since January of 1997, the Chief Credit Officer has been a member of the nine person Board of Directors which meets once a month to discuss a range of issues including management of the LALDC, loan administration and credit approval. The LALDC was started with seed capital from the City of Los Angeles under grants from the Department of Housing and Urban Development and the US Department of Commerce totaling \$1,265,000. As of 4/30/97, the LALDC has total assets of \$5.6 million and a net fund equity of \$4.2 million.

The LALDC performs all direct lending functions including credit review and approval, document preparation, portfolio administration, regulatory compliance, and collections. The LALDC serves the City of Los Angeles with an emphasis on enterprise zones, empowerment zones, revitalization zones, redevelopment areas and other areas severely impacted by natural disasters. Its mission is to participate in the development, finance and implementation of economic development projects

or strategies that intend to revitalize distressed areas throughout the City of Los Angeles. The major goal of the funds administered is to increase the availability of jobs, or goods and services provided to low- and moderate-income residents.

Since 1980, the LALDC has originated 118 loans for \$17 million. As of 4/30/97, there were 38 loans with \$3.6 million in outstanding balances. There are 18 active HUD loans totaling \$2 million being administered, and 20 EDA loans totaling \$1.6 million. There are 23 SCBDC loans with an outstanding principal balance of \$1.1 million.

The bank has also committed time and resources to a variety of other community development service organizations and events. A sample of those events included the attendance of eight loan officers at an outreach booth for the VEDC. The objectives were to expose women- and minority-owned enterprises to the business opportunities that exist in the area and to expose various vendors to qualified minority and women owned businesses. The Chief Credit Officer also attended the Valley Business Lending Partnership event hosted by the VEDC. California United Bank has committed to partnering with the Valley Economic Development Center in a strategic alliance called the Small Business Lending Partnership. In this program, the VEDC will assist the business prospect in determining whether it qualifies for federal, state or grant monies. VEDC will also help develop a business plan, provide technical assistance and coordinate financing requests. The qualifying business will be placed with a partnering bank for consideration for a loan.

Management's ability to participate in community development services has been constrained by the merger activity of the bank. While management has not taken a leadership role in the provision of community development services, they have provided an adequate amount of community development services. Moreover, those services provide technical and professional expertise to organizations that are highly responsive to community development needs.

California United Bank's highly satisfactory performance under the service test is driven by the increased number of branches in the community, including increased branch representation in low- and moderate-income areas. The bank also enhanced its accessibility through the development of alternative delivery systems. The provision of community development services to responsive organizations further supported the bank's performance. Additionally, the range of services were reasonably equitable and did not inconvenience any particular low- and moderate-income areas, and the closure of offices had little or no impact on low- and moderate-income areas.

DESCRIPTION OF VENTURA COUNTY ASSESSMENT AREA

California United Bank's second assessment area includes the southern portion of Ventura County. This area comprises 90 percent (117) of the census tracts in Ventura County. The Los Padres National Forest and the Topatopa mountains have been excluded. The assessment area includes the entire cities of Ventura, Oxnard, Santa Paula, Simi Valley, and Thousand Oaks. As of the 1990 census, the assessment area contained a population of approximately 391,000 persons. According to the institution's performance context, the largest employment sector in the county is service, followed by wholesale and retail trade. The lender's performance context also indicates that there are approximately 7,531 businesses of which 6,484 (86%) are small businesses. The assessment area contains 4 (4.3%) low-income tracts, 32 (27.4%) moderate-income tracts, 54 (46.2%) middle-income tracts, and 26 (22.2%) upper-income tracts. The population breakdown is as follows 2.9 percent low-income, 26.8 percent moderate-income, 45.7 percent middle-income and 24.6 percent upper-income.

A community contact with a small business development center indicated that the economic environment for businesses was favorable in the area, especially along the Route 101 corridor.

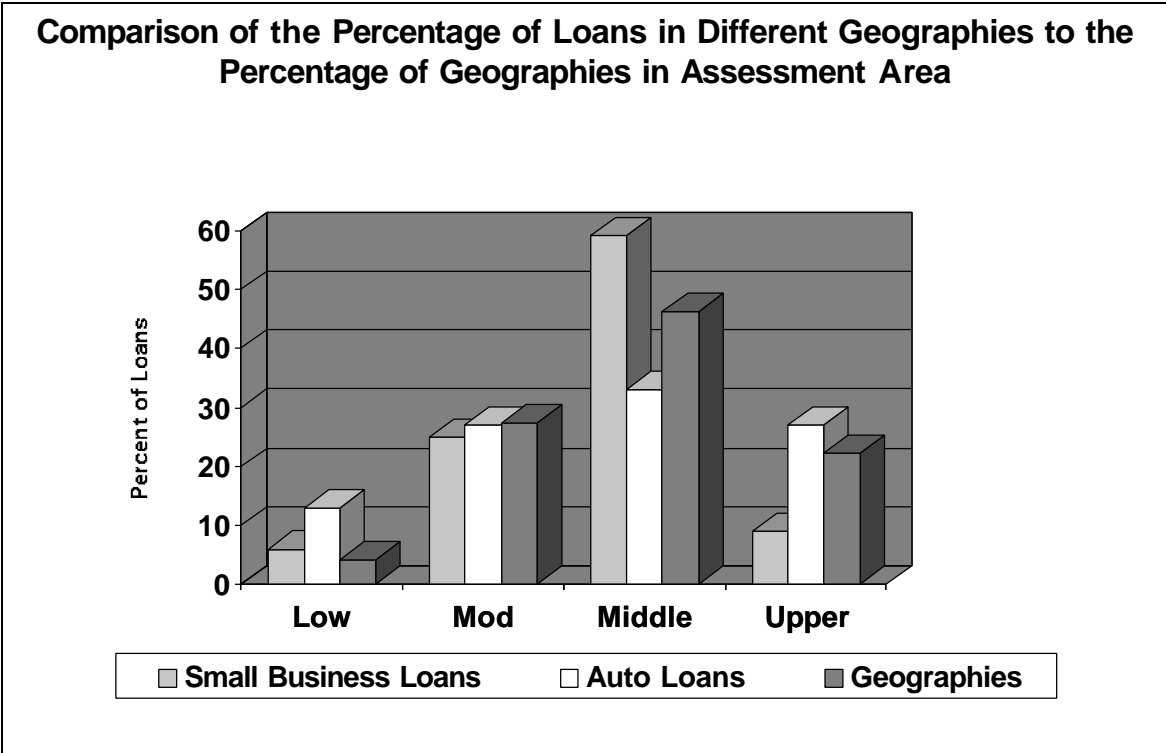
DISCUSSION OF PERFORMANCE IN VENTURA COUNTY ASSESSMENT AREA:

California United Bank operates one branch within the Ventura County Assessment area in the City of Camarillo, a low-income area. This was an original branch office of the bank and has maintained a commercial lending business focus. A limited evaluation of the institution's performance in this assessment area was performed, as California United Bank has minimal branch presence and low lending volume. The objective of the review was to determine that the bank's performance was consistent with its performance in the Los Angeles and Orange Counties assessment area. The scope of the review included only an evaluation of the bank's small business and consumer lending under the sections of the lending test, including geographic distribution, distribution to borrowers of different income levels and businesses of different sizes.

LENDING TEST

Lending Distribution By Geography

The distribution of the 32 small business loans and 15 consumer loans extended in this assessment area was evaluated to determine if the distribution was reasonable. The following chart compares the distribution of loans to the distribution of geographies by the four income categories. The percentage of the population in the assessment area closely corresponds to the percentage of such geographies in the assessment area.

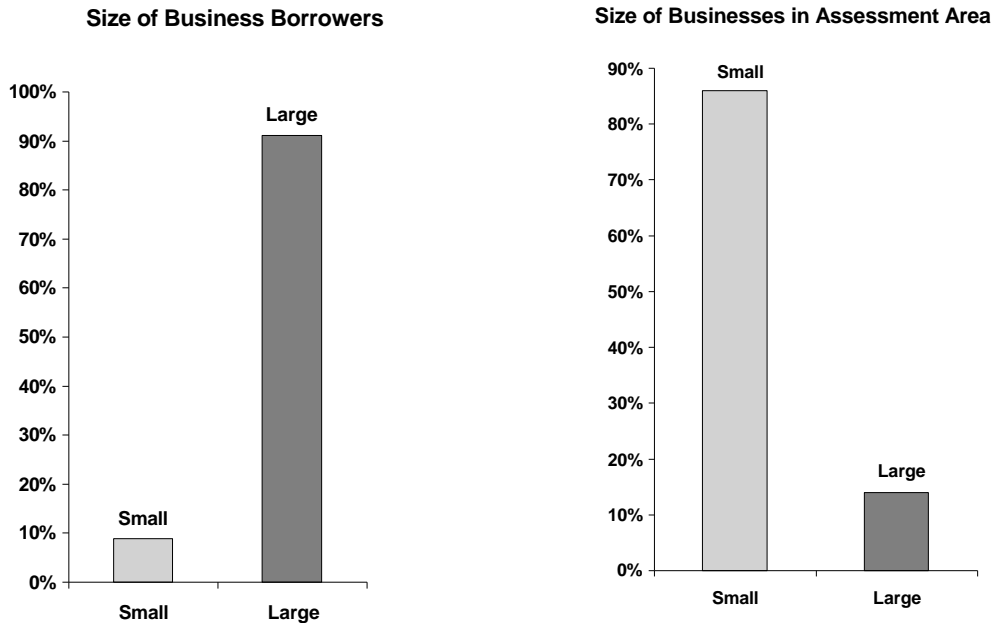


The low volume of automobile and small business lending makes firm conclusions difficult to draw; however, both types of loans showed a reasonable distribution to all income level geographies with auto loans showing a favorable penetration into low-and moderate-income geographies. For example, 13 percent of the auto loans were extended in low-income census tracts and 19 percent were extended in moderate-income tracts. This compares favorably to the percentage of low- and moderate-income census tracts in the assessment area which represent 4.3 percent and 27.4 percent of all tracts, respectively. The small business loans demonstrated a similar distribution with 6 percent extended in low-income census tracts and 25 percent extended in moderate-income tracts. Based on this information, the distribution appears reasonable.

Lending Distribution by Borrower Income and Business Revenue

Examiners compared the level of lending to small businesses to the number of small businesses in the assessment area to determine if the bank has affirmatively addressed the credit needs of small businesses. The following chart compares the percentage of loans to small businesses to the percentage of small businesses in the assessment area.

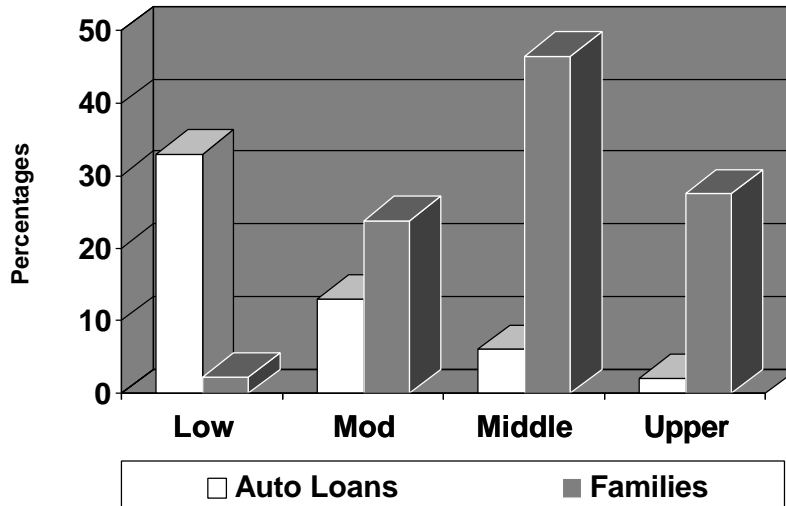
Percentage of Small Business Loans Compared to Percentage of Small Businesses within the Assessment Area



The level of lending to small businesses is low in comparison to the percentage of small businesses in the assessment area. However, small businesses were not targeted by the bank until the end of 1996, which reasonably explains the poor penetration to small businesses. Additionally, the bank's lending in Ventura County represents only a small portion of its overall lending.

Examiners also evaluated the level of auto lending to borrowers of different incomes to determine if the bank was adequately addressing the needs of low- and moderate-income individuals. The following chart compares the bank's record of auto lending to individuals of different income levels to the percentage of the population in each income category.

Percentage of Loan Dollars to Borrowers of Different Incomes Compared to the Percentage of Families Inside the Assessment Area



The level of lending to borrowers of different incomes has a significantly better representation among low- and moderate-income individuals than middle- and upper income individuals. Although this analysis is not conclusive as it is based on a sample of only 15 consumer auto loans, it appears reasonable.

Overall, due to the low level of lending, examiners did not place emphasis on the conclusions drawn regarding the bank's performance in this assessment area. Although the level of lending to small businesses is low, the adequate distribution of loans to geographies and individuals of different income levels supports that the institution's performance in the Ventura County assessment area is reasonable and is generally consistent with the institution's performance in the Los Angeles - Orange County assessment area.

COMPLIANCE WITH FAIR LENDING LAWS

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. The institution has policies, procedures, training programs, and internal assessment efforts in place to prevent discriminatory or other illegal credit practices. Despite management's review procedures, some technical violations of the Home Mortgage Disclosure Act were noted during the examination; however, the errors did not adversely impact the examiner's ability to analyze the bank's lending patterns or the aggregate market data.

SCOPE OF EXAMINATION:

California United Bank extended 722 small business loans and 509 consumer auto loans within the Los Angeles and Orange Counties assessment area during the period from January 1, 1996 to April 30, 1997. An additional 32 small business loans and 15 consumer loans were extended in Ventura County. Since this represented two major product lines for the bank these loans were reported to this Reserve Bank for evaluation under the Community Reinvestment Act. The Los Angeles and Orange Counties assessment area contained 93 percent of the bank's lending; therefore, this assessment area was reviewed using the full examination procedures. The bank's performance in the Ventura assessment area was limited to an analysis of the geographic distribution of loans and the distribution to borrowers of different income levels and businesses of different sizes.