

SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 3, 2004

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Regents Bank, National Association
Charter Number 24214**

**875 Prospect Street, Suite 100
La Jolla, California 92038**

**Office of the Comptroller of the Currency
Southern California South Field Office
1925 Palomar Oaks Way, Suite 202
Carlsbad, California 92008**

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING

This institution is rated **Satisfactory**.

Regents Bank, N.A. (Regents) satisfactorily meets the credit needs of its assessment area (AA).

- Regents originated a substantial majority of its loans within the AA.
- The bank's quarterly average loan-to-deposit ratio is reasonable.
- The bank's loan distribution by income meets the standards for a satisfactory rating.
- The bank's geographic distribution of loans meets the standards for a satisfactory rating.
- The bank did not receive any complaints about its performance in helping to meet AA credit needs during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.

Examiners reviewed a sample of loans originated from January 1, 2002 to December 31, 2003. Loans originated in 2002 were compared to 1990 U.S. Census data. Loans originated in 2003 were compared to 2000 Census data. We used separate census data because the 2000 census data became effective in January 2003 and changed boundaries and income levels of many existing census tracts, deleted some census tracts, and created many new ones.

DESCRIPTION OF INSTITUTION

Regents Bank, N.A. is a \$136 million community bank located in La Jolla, California. The main office is located at 875 Prospect Street in La Jolla, and a branch office is located at 501 West Broadway in San Diego. The bank offers a full range of credit products within its AA including commercial loans, real estate loan products, and consumer loans. The bank's primary loan products by both number and dollar amounts are commercial loans and commercial real estate loans. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. This is the bank's first CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA encompasses all of San Diego County and is located within the San Diego Metropolitan Area (MA). Both 1990 and 2000 U.S. Census data shows this AA contains low- and moderate-income (LMI) geography tracts. Census data from 1990 shows the AA has 445 census tracts with 122 LMI tracts. Census data from 2000 shows the AA has 605 census tracts with 183 LMI tracts. These LMI tracts are spread throughout the county, with a large concentration in and around the city of San Diego. The bank is located in an urban area, with access to commercial and industrial business centers. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any LMI areas.

Examiners reviewed previous contacts with community representatives. Contacts stated the most pressing need in the community was the availability of affordable housing. Housing prices have steadily increased, which resulted in a shortage of homes that are affordable to LMI

persons.

Please refer to Regents' CRA public file for more information about the AA.

DETERMINATION OF PRIMARY LOAN PRODUCTS

The table lists the outstanding balance of the bank's major loan products as of December 31, 2003.

Regents Bank Loan Portfolio as of December 31, 2003				
Loan Type	Number	Percentage	Dollar	Percentage
Commercial Real Estate	72	19	45,449,000	55
Commercial	167	43	19,919,000	24
Residential Real Estate	71	18	10,256,000	13
Consumer	58	15	722,000	1
Stock Secured loans	20	5	5,557,000	7
Total	388	100	81,903,000	100

The table shows the bank's two primary loan products by both number and dollar amount are commercial loans and commercial real estate loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING IN THE ASSESSMENT AREA

Regents originated a substantial majority of its loans in its assessment area. Examiners found 83% of the number and 73% of the dollar volume of loans were originated within the bank's AA. This conclusion is based on our sample of commercial loans.

LOAN TO DEPOSIT RATIO

Regents' average quarterly loan-to-deposit ratio over the past nine quarters is reasonable at 60%. The nine-quarter average of the similarly situated financial institutions chartered in the bank's assessment area is 80%, with a range of 60% to 107%. Regents' loan-to-deposit ratio is less than the peer group average because it has only 27 months of operations compared to the peer group, which primarily consists of established banks. And, as expected of newly chartered banks, deposit growth exceeded loan growth.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

A comparison of the two primary loan types reveals that Regents' loan distribution by borrower income meets the standards for a satisfactory rating.

Lending to Businesses of Different Sizes

The following table displays the bank's lending practices based on our sample of 2002 and 2003 business borrowers.

Borrower Distribution of 2002 Loans to Businesses in San Diego County		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	69	6
% of Bank Loans in AA by #	55	45
% of Bank Loans in AA by \$	59	41

Demographic Data Source: Dunn and Bradstreet

** 25% of AA businesses did not report revenue data*

The table shows 55% of the number of Regents' 2002 business borrowers generated gross annual revenues of \$1 million or less. This compares reasonably to Dunn and Bradstreet data that reveals 69% of reporting businesses had gross annual revenues of \$1 million or less.

The following table displays the bank's lending practices based on our sample of 2003 business borrowers.

Borrower Distribution of 2003 Loans to Businesses in San Diego County		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	65	5
% of Bank Loans in AA by #	40	60
% of Bank Loans in AA by \$	27	73

Demographic Data Source: Dunn and Bradstreet

** 30% of AA businesses did not report revenue data*

The table shows 40% of the number of Regents' 2003 business borrowers generated gross annual revenues of \$1 million or less. Although this is less than the Dunn and Bradstreet data that reveals 65% of reporting businesses had gross annual revenues of \$1 million or less, it is reasonable. In 2003, management hired additional loan officers as the bank increased its asset size. These loan officers attracted former customers to Regents. Many of these customers are mid-sized or larger businesses.

GEOGRAPHIC DISTRIBUTION OF LOANS

A comparison of the two primary loan types reveals that Regents' geographic distribution of loans throughout the AA meets the standards for a satisfactory rating.

Geographic Distribution of Business Loans

The following table displays the bank's geographic lending practices based on our sample of business borrowers.

Geographic Distribution of Loans to Businesses in San Diego County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses
2002 Sample	10	5	20	22	30	38	40	35
2003 Sample	15	3	20	23	20	43	45	31

Demographic Data Source: Dunn and Bradstreet

The table shows that in 2002, 5% of businesses are located in low-income tracts and 22% of businesses are located in moderate-income tracts. The bank's geographic distribution compares favorably with 10% of commercial borrowers located in low-income tracts and 20% of commercial borrowers located in moderate-income tracts.

The table also shows that in 2003, 3% of businesses are located in low-income tracts, while 23% of businesses are located in moderate-income tracts. The bank's performance compared favorably with 15% of commercial borrowers located in low-income tracts and 23% of commercial borrowers located in moderate-income tracts.

RESPONSE TO COMPLAINTS

The bank did not receive any consumer complaints regarding its CRA performance during the assessment period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of illegal discrimination or other illegal credit practices.