

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

Washington, DC 20219

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## Public Disclosure

May 1, 2000

## Community Reinvestment Act Performance Evaluation

San Diego National Bank  
Charter Number: 17114

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**NOTE:** This evaluation is not, and should not 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 CRA performance of San Diego National Bank (SDNB) prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 1, 2000. 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 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration≈s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank≈s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants,

the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated "**Outstanding.**"

The following table indicates the performance level of **San Diego National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	San Diego National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- y An excellent level of responsiveness to small business credit needs and opportunities in the AA as evidenced by a strong volume of CRA reportable lending activity.
- y An excellent geographic distribution of small business loans in both low- and moderate-income geographies within the AA.
- y An adequate level of responsiveness to the credit needs of small businesses based on the distribution of small business loans by size of business.
- y An excellent volume of community development (CD) lending representing a significant amount of the bank's capital, targeted toward multi-family affordable housing and small business redevelopment.
- y An excellent level of qualified investments, grants, and donations.
- y Delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the AA. Services and hours are convenient and conducive to customer needs.
- y CD service performance is excellent. SDNB has assumed a leadership role in

providing financial expertise and technical assistance to various organizations.



## Description of Institution

San Diego National Bank (SDNB) is a business-oriented, intrastate bank headquartered in San Diego, California. It is a wholly owned subsidiary of First Bank of Oak Park, Corporation (FBOP Corp.), a multi-bank holding company. SDNB provides general banking services to residents of San Diego County. The bank's defined AA is San Diego MSA, which is comprised of 445 census tracts (CTs). The delineation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

SDNB operates fourteen full-service branch offices within the AA. Branches are located in Carlsbad, Clairemont, Downtown San Diego, Encinitas, Escondido, Fletcher Hills, Golden Triangle, La Jolla, Lake San Marcos, Mission Valley, North Park, Rancho Bernardo, Chula Vista, and Southeastern San Diego. During the evaluation period, SDNB opened the Carlsbad, Golden Triangle, and Encinitas branches. With the exception of the Encinitas, Lake San Marcos, and Mission Valley branches, all offer 24-hour banking services through onsite Automatic Teller Machines (ATMs). All ATMs provide users with both deposit and cash dispensing/withdrawal capabilities.

SDNB began operations in 1981 with a primary focus on serving small- to medium-size businesses in San Diego County. The acquisition of SDNB by FBOP, Inc. and mid-1997 merger with FBOP Inc.'s nine Regency Savings & Loan (S&L) branches significantly increased total assets from \$200 million to \$1 billion by March 1998, making SDNB the largest community bank in the San Diego MSA. As of December 1999, SDNB had total assets of \$1.2 billion and net Tier 1 Capital of \$110.4 million. Net loans total slightly over \$1 billion representing 84% of total assets. Based on dollar volume, the bank's loan portfolio is comprised of 93% real estate loans and 7% commercial loans. Over the evaluation period, SDNB made a substantial amount of multi-family purpose loans, most of which were analyzed under the CD lending activity. However, not included in the CD lending volume, but worthy of mention, are ten out-of-area loans totaling slightly under \$15 million. These loans are primarily low-income tax credits for multi-family housing projects serving LMI individuals.

FBOP Corp. is a Chicago area based, nine-bank holding company. As of December 31, 1999, it had total assets of \$5.1 billion. Other than SDNB, which is FBOP Corp.'s largest subsidiary, the most significant subsidiaries are Pullman Bank and Trust headquartered in the Chicago area with total assets of \$1.1 billion, Regency Savings Bank, also headquartered in the Chicago area, with total assets of \$1.1 billion, and California National Bank headquartered in Beverly Hills, California, with total assets of \$828 million. No affiliate activities were considered in the scope of this evaluation.

SDNB's lending strategy focuses primarily on commercial, commercial real estate, and small business lending. The bank offers a wide variety of credit products and services that include telephone banking and personal computer (P/C) banking access. The types of credit products offered include: Commercial real estate, construction, commercial, SBA, home equity, 1-4 family residential, and individual loans. However, residential mortgage and consumer loans are provided mainly as accommodation loans to their business customers.

SDNB was rated "Satisfactory at the previous CRA examination as of March 17, 1997. Earnings and capital levels are strong, and there are no obvious legal or financial impediments in meeting the credit needs of its community.

## **Scope of the Evaluation**

### **Evaluation Period'/Products Evaluated**

This Performance Evaluation (PE) assesses information from the previous examination on March 17, 1997, through May 1, 2000. We based our conclusions of the lending test on small business lending and CD lending activity. The evaluation period for our review of SDNB's small business loan originations and purchases covers the period from January 1, 1999, through December 31, 1999.

The evaluation period for the bank's CD loan performance covers the period since the previous examination through May 1, 2000. Our evaluation of SDNB's retail banking services and CD investments and services also covers the periods from March 17, 1997, through May 1, 2000. Affiliate and consumer loans were not considered in the CRA evaluation at the bank's request. Refer to Appendix A for details on the scope of the PE.

Our evaluation of SDNB's performance under the Lending test did not consider home mortgage loan products. Excluding multi-family loans, SDNB originated and purchased 31 home mortgage loans in 1999, 22 in 1998, and 16 in 1997. This level of volume renders SDNB's market share for home mortgage products insignificant and is too low for a meaningful analysis.

Table 1 in Appendix C reflects home mortgage loan volume for 1998 and 1999 only. In 1997, SDNB purchased a substantial number of loans, including multi-family loans, as a result of its increase in deposits from the merger. During our data integrity review, we did not verify the accuracy of the 1997 home mortgage products; therefore, we did not present this activity in Table 1. Multi-family loans originated and purchased in all three years were analyzed under CD lending.

## **Data Integrity**

We performed a data integrity review of 1998 and 1999 HMDA reportable loans and 1999 CRA data the first week of January 2000. Our sample consisted of home mortgage purchase, home improvement, and refinance loans; CRA small business loan originations; and consumer loans. We reviewed the consumer loans since, at the time, the bank had not decided whether to exercise their option to submit consumer loans for consideration in the CRA evaluation. We also inspected the bank's lists of CD loans, qualified investments, and services. We found significant errors in both HMDA and small business loan data. The majority of the errors were centered on missing gross revenue information for purchased out-of-area loans. The bank misunderstood the reporting requirements for these types of loans, causing systemic errors in a large segment of its small business loans. We also found errors in HMDA loans where the CT numbers did not match the information in files. The bank's Compliance Officer researched each potential error identified in our review and gave us satisfactory responses, which included appropriate corrective action where warranted. She conducted an additional data integrity review prior to data submission. Overall, all errors were corrected prior to submission, and we determined the data to be reliable.

## **Selection of Areas for Full-Scope Review**

SDNB has one identified AA comprised of the San Diego MSA. There are 445 CTs in the AA of which 26 are low-income and 96 moderate-income. We performed a full-scope review of the San Diego AA. Refer to the table in Appendix A for details.

## **Ratings**

The bank's overall rating is based on the full-scope review of the San Diego AA. In arriving at SDNB's overall record of performance, we assessed activities under the Lending, Investment and Service Tests in the AA. The rating methodology is structured such that the Lending Test weighs most heavily of the three tests in the final determination.

## **Other**

As part of our examination, we considered information obtained from SDNB and seven community organizations. We spoke with representatives of grassroots community groups and reviewed recent contacts initiated by other regulatory agencies. The contacts were primarily with organizations involved in small business lending, economic and community development, and affordable housing. The individuals contacted identified affordable housing, loans to small businesses (including micro loans), and job creation as the most pressing needs in the San

Diego MSA. They indicated opportunities for participation by local financial institutions are moderate.

## Fair Lending Review

In conjunction with this CRA evaluation, we performed a fair lending examination of SDNB. We reviewed policies and procedures and conducted a comparative file review of overdraft protection loans granted from October 1999 to April 2000. The file review consisted of a comparative analysis of declined female applicants to approved male applicants. Our objective was to determine if SDNB's policies and practices provide for consistent treatment of applicants without regard to the borrower's gender.

Based on the findings of this review:

- y SDNB satisfactorily complies with the antidiscrimination laws. We found no evidence of illegal discrimination or disparate treatment being applied on a prohibited basis.
- y No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.
- y A satisfactory fair lending process is in place to ensure ongoing compliance.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated Outstanding. Based on a full-scope review, the bank's performance in the San Diego MSA is excellent.

Our evaluation of the bank's performance under the Lending Test focused primarily on SDNB's small business and CD lending activities. Small business lending is an identified need in the AA and SDNB's primary lending niche. SDNB's good volume and strong performance in this product line carries significant weight. Additionally, a significant volume of CD loans enhances lending performance.

Our evaluation of the bank's performance under the Lending Test did not consider home mortgage loan products. SDNB offers home mortgage lending products primarily as an accommodation to business customers. In 1998 and 1999, home mortgage products comprised approximately 8% of the bank's total loan originations. This volume is too low for a meaningful analysis and does not significantly affect the bank's lending performance.

#### Lending Activity

*Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.*

SDNB's lending activity in the San Diego MSA represents an excellent responsiveness to the AA's credit needs. Over the evaluation period, SDNB originated or purchased a total of 647 reportable loans in the AA. Of these, small business loans comprise 79% of the loan volume representing 45% of the dollar volume. CD lending activity comprises 13% of the loan volume representing 48% of the dollar volume. The volume of small business loans and CD loans together reflect an overall excellent volume of lending for the size and capacity of the bank. Additionally, these statistics support a conclusion that SDNB is responsive to the need for small business and CD activity in its community.

The number of small business loan originations may appear only adequate for the size and capacity of SDNB; however, it should be noted that SDNB did not begin collecting CRA small business data until January 1, 1999, which covers about half of the evaluation period. In this context, the 513 small business loans originated over a one-year reporting period represent a strong volume of lending.

SDNB's acquisition by FBOP Inc. and subsequent merger with FBOP Inc.'s nine S&L branches in February 1997 resulted in a rapid growth in deposits from \$170 million to \$846 million. Today, SDNB is the sixth largest financial institution in the San Diego MSA when ranked by total deposits. As of June 30, 1999, SDNB has 3.82% of the market share for deposits in the San Diego MSA. Although SDNB's volume of small business lending is strong, we were unable to present a correlation of lending to deposits at this time. SDNB reported CRA loan data for the first time in 1999, and market share information based on 1999 Aggregate Small Business data is unavailable as of this time.

Notwithstanding the lack of market share information for small business loans, the bank's high loan-to-deposit ratio supports a strong level of responsiveness to small business and CD lending. The bank's loan-to-deposit ratio averaged 83% for the last 12 quarters, ending December 1999. This compares favorably to the 77% ratio for other financial institutions in the San Diego MSA over the same time period. SDNB's loan-to-deposit ratio as of December 1999 was 97%. These statistics are indicative of an excellent volume of lending in relation to SDNB's size and capacity.

## **Distribution of Loans by Income Level of the Geography**

### ***Small Loans to Businesses***

*Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.*

The geographic distribution of small business loans is excellent. This conclusion is supported by SDNB's success in generating a pattern of loan activity that matches or exceeds the demographic distribution of businesses in LMI geographies. The percentages of small business loans that were made to borrowers in low-income geographies matches the percentage of businesses located in those geographies. In moderate-income geographies, the percentage of the bank's loans made to businesses in those geographies exceeds the percentage of businesses located in those tracts. Overall, SDNB was successful in distributing small business loan products to the economically disadvantaged geographies most in need of the stabilizing and revitalizing effects of small business lending.

### ***Lending Gap Analysis***

Our lending gap analysis revealed that the bank penetrated 31% of the CTs in the San Diego MSA. Upon further investigation and through discussions with bank management, we determined that a majority of the CTs are primarily zoned residential. Taking into consideration the fact that SDNB is a business lender, we

identified the commercial/industrial CTs in the MSA to assess SDNB's effectiveness in penetrating these areas. Overall, no unexplained gaps in business lending exist.

SDNB was able to demonstrate that they successfully penetrated the commercial CTs in the San Diego MSA. We did not identify any pattern of lending that arbitrarily excluded LMI segments of the delineated community.

### ***Inside/Outside Ratio***

We performed the analysis of the inside/outside ratio at the bank level using small business loan originations and purchases only. SDNB originated 100% of their 513 reportable small business loans to borrowers in the AA. The bank does not have any extensions of credit by affiliates.

### **Distribution of Loans by Income Level of the Borrower**

#### ***Small Loans to Businesses***

*Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.*

The distribution of small business loans by income level of the borrower reflects an adequate level of responsiveness to the credit needs of small businesses. Per Table 10, SDNB's percentage of small business loans made to businesses with revenues of \$1 million or less is below the demographics for that size of businesses in the AA. Discussions with management revealed that 60 loans or 12% of reportable small business loans were made under their "One-Step" program, a low documentation program for loans under \$50,000. However, because SDNB did not consider revenue information on these "low doc" loans, they could not substantiate that these were actually small loans to small businesses with revenues of \$1 million or less.

Over one-half of SDNB's small business loans were in amounts of \$100,000 or less. To the extent that the size of a loan is indicative of the size of the businesses, SDNB did an adequate job of distributing its small business loan products to fairly small businesses in the AA. However, slightly over 75% of the small business loan originations and purchases were in amounts under \$250,000. In this regard, SDNB did a good job in satisfying the credit needs of small businesses, where one of the greatest needs exists.



## Community Development Lending

*Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.*

SDNB's responsiveness to CD credit needs is excellent. Over the evaluation period, the bank engaged in a substantial level of CD lending in the AA focusing on affordable housing and business redevelopment. Since March 1997, SDNB originated 81 CD loans with a dollar volume totaling slightly over \$99 million. This translates to 90% of Net Tier 1 capital as of December 31, 1999. This high volume demonstrates an excellent responsiveness to CD lending needs in the AA.

A significant portion of SDNB's CD lending focus has been on affordable housing which community contacts identified as the most pressing needs in the San Diego MSA. Of the 81 qualified loans, 63 loans representing 40% of the dollar volume of CD loans were for multi-family affordable housing projects. This reflects favorably on SDNB's efforts and commitment in meeting affordable housing needs.

SDNB's performance in meeting the small business development and redevelopment needs has been equally strong. Small business development projects represent approximately 46% of the dollar volume of CD lending activity. SDNB has taken a leadership role in providing financing and promoting activities that have a positive impact on the San Diego MSA from a CD perspective. Several of the projects are innovative and complex in that they involve the coordination and participation of various governmental economic development planning agencies. The following activities demonstrate the bank's responsiveness to the area's CD lending needs and represent some of the most significant projects:

- SDNB took a leadership role in creating the financing package and providing financing of over \$33 million for the construction of a mixed-use development project located within an Enterprise Zone and a Redevelopment Zone. Both zones are in LMI CTs. This innovative project is the largest private development in the entire Downtown San Diego Redevelopment Area since 1991, creating the Gateway from the new Convention Center to the 16 block Historic Gaslamp District. In addition to the critical revitalization and stabilization benefits to the LMI area, the project also will generate numerous jobs in the service/retail industries to LMI individuals.
- SDNB also took a leadership role in revitalizing a previously long-term blighted, vacant twelve-acre parcel across from a LMI high school. SDNB coordinated efforts with the City of San Diego and financed the first major subdivision construction project in a low-income CT in several years. SDNB financed in excess of \$7 million, representing 86% of the acquisition and development

costs of a four phase, 56 single family residence project. Twelve of the 56 homes must be sold to San Diego residents whose income qualifies them as LMI. The Redevelopment Agency of the City of San Diego (RACSD) will provide counseling to assist first-time homebuyers and provide up to \$392,000 financial housing assistance to qualified buyers. Southeast Economic Development Council (SEDC), a sub-agency of RACSD, contributed the parcel of land for no consideration. This project benefits LMI individuals by providing affordable housing and serves to revitalize a LMI area.

- The bank extended a \$3 million refinance loan for the revitalization of a retail building located in a moderate-income CT in Downtown San Diego. Funds for the project were used to convert the building into a mixed-use development consisting of 29 residential lofts and retail space. The lofts consist of “work/live” units for small business owners and rent between \$500 to \$1,350. Average rents in the area currently range from \$1,600 to \$2,400. This is the first time that a retail building had been converted into a mixed-use development in this AA. The project provides affordable housing and revitalizes a moderate-income geography.
- SDNB has been involved in the planning and development of a highly complex project in the City Heights area of San Diego. The bank has approved three loans to support the acquisition of a project site and subsequent development of a retail center in a blighted area of San Diego. As of the examination date, SDNB had funded a \$2.7 million loan with flexible terms to a city redevelopment agency and an \$800,000 loan to an investment corporation for the pre-development costs. The loans are part of the \$16.4 million required to acquire, relocate, and clear a 331,177 square foot site in the low-income area. A \$13.3 million City Bond issuance and \$400,000 in federal grants will provide the balance of the funds for the \$16.4 million project. The project serves to revitalize and stabilize a blighted area in San Diego in addition to job creation.

The remainder of SDNB’s CD lending activities are centered in loans to community organizations providing community services such as homeless assistance. These represent 6% of the total CD lending activities and total \$6.3 million.

SDNB also participates with lending consortiums to provide capital to support small business and community organizations lacking access to appropriate financing via conventional bank lending practices. Much of the funding is directed toward minority and women-owned businesses. SDNB has provided support to the following:

- y Local Initiatives Support Corp. (LISC) - In 1997, SDNB provided the largest individual participation of the twelve stakeholder banks at 17% of the loan pool. SDNB’s participation amount surpasses all other financial institution participants by 100%. Since inception, the loan pool has funded ten loans

totaling \$1.6 million. SDNB's participation share is \$280,490. The loans are primarily for affordable housing and economic development purposes.

- y Bankers Small Business Community Development Corporation (BSBCDC) - SDNB was the lead bank in the establishment of this microloan program. The program's activities promote economic development by financing small businesses, particularly loan requests originally declined by participating member banks. Since its inception, SDNB has contributed a total of \$118,443 to various loan pools. Over the evaluation period, SDNB contributed \$33,000. During this examination, BSBCDC originated seven loans totaling \$165,808, of which SDNB's participation share was \$11,042.
- y California Economic Development Lending Initiative (CEDLI) - SDNB's \$250,000 pre-examination contribution to CEDLI's loan pool is still in existence. Over the evaluation period, CEDLI originated 125 loans totaling \$25.7 million. SDNB's share of these originations was \$107,921. SDNB has created a specific incentive program to incent their lending officers to consider CEDLI profile/opportunities on all loan requests.

### **Product Innovation and Flexibility**

As indicated above, SDNB actively employs innovative and flexible practices to serve their business customers, meet the needs of its business community, and enhance its lending performance. In addition to these lending practices, SDNB explores ways to implement innovative and flexible products to meet the needs of its business community and enhance its lending performance. Since the prior examination, SDNB implemented two loan programs targeted at small businesses. While the following products are not innovative to the market or area, they are flexible in the sense that these types of credit transactions do not typify the bank's standard practices. These programs include:

- y The establishment of the "One-Step Small Business 2 Year Line of Credit." This credit line was developed to meet the perceived needs of small business owners who require access to small, low-cost loans. The credit line begins at \$10,000 and has a ceiling of \$50,000. No financial statements are required, other than what is on the application itself, for loans under \$50,000. Enhancements include a business check access card. Under this program, SDNB originated 117 business loans totaling \$5.7 million over the evaluation period. Of these, 113 loans or 97% were under \$100,000, and 34 or 29% were under \$25,000. Geographically, 8% of the loans were made to borrowers in low-income CTs and 19% to borrowers in moderate-income CTs. The loans were accounted for under the CRA Small Business loan volume for 1999.
- y The creation of the Small Business Administration (SBA) department to increase underwriting flexibility. SDNB attained Preferred Lender Status from the SBA, enabling the bank to make loans to borrowers that would otherwise not meet the bank's credit standards. Of the 39 SBA loan originations totaling \$14.7

million, over half were extended to borrowers in LMI geographies.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

*Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.*

San Diego National Bank's (SDNB) performance under the Investment Test is rated Outstanding. Based on a full-scope review, the bank's performance in the San Diego MSA is excellent.

SDNB demonstrates an excellent responsiveness to qualified investments given the moderate opportunities in the AA. SDNB's total qualified investments and grants represent 6.8% of Net Tier 1 Capital as of December 31, 1999. Approximately 95% of the dollar amount represent investments where SDNB took an innovative, creative or leadership role in providing funding or involved a combination of all three components. Furthermore, almost 100% of the contributions and investments were made in the current evaluation period, demonstrating SDNB's commitment to the CD investment needs of the AA. The bank made \$7.5 million in qualified investments during the evaluation period and had \$28,000 outstanding from the prior period. The volume of investments in relation to the bank's capitalization and the responsiveness to the needs of the community is excellent.

The following represent some of the more significant contributions SDNB made over the evaluation period:

- y SDNB invested \$2.1 million toward the purchase of an interest in two specific tax allocation bonds located within a San Diego redevelopment zone. The bonds were used to acquire land, construct improvements, and finance the development/redevelopment of retail, office hotel, housing, and convention facilities in the City of San Diego. The 3400 units will include senior citizen housing, market rate rental units, condominiums, and LMI housing. The qualified investment fund, which was initiated nationwide in 6/99, is an innovative concept that allows geographical areas with a limited supply of bank CRA-qualified investment opportunities to make investments via purchase of shares in a CRA-dedicated mutual fund. The fund gives banks the ability to specifically direct underlying securities to be located within their AA. These bond purchases are responsive to CD needs for this area in the City of San Diego.

The redevelopment agency will deposit 20% of the project's area's tax increment monies annually into a LMI housing fund and maintain a minimum percentage of LMI housing, while developing a broad range of housing types.

- y SDNB took a leadership role by becoming the largest, locally based investor in a local CD financial institution (CDFI) following the purchase of \$400,000 in equity stock. In addition, SDNB invested \$2 million in certificates of deposit to further enhance the CDFI's ability to make consumer mortgage and business loans to the under served communities throughout San Diego. The CDFI's primary purpose is to promote economic development and affordable housing within the AA. The CDFI is a subsidiary of an organization focusing on job creation and training, improving and increasing affordable housing, and assisting economic development in LMI communities.
- y SDNB assumed a leadership role in seeking to address the documented need within the AA for affordable housing and health care for the fixed income LMI senior population. SDNB is the first and largest investor in the project by investing slightly over \$2 million in a mortgage-backed security. The security provided financing for the FHA/HUD section 232 senior residential assisted living/health care.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory." Based on a full-scope review, the bank's performance in the MSA is good.

Overall, SDNB's retail delivery systems provide reasonable accessibility to banking services throughout its AA. Retail products and services meet a wide array of customer needs, and community service involvement has been extensive. SDNB is a leader in providing CD services in its AA.

### **Retail Banking Services**

*Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.*

Accessibility of retail banking services to geographies and individuals of different income levels is reasonable and approximates the demographics of the area. SDNB has fourteen branches located in San Diego County within the AA. The Downtown, Escondido, North Park, and Southeastern San Diego branch offices are in moderate-income census tracts. The Clairemont, Encinitas, Fletcher Hills, Golden Triangle, Mission Valley, and South Bay branch offices are in middle-income census tracts. The La Jolla, Lake San Marcos, Rancho Bernardo, and Carlsbad branch offices are located in upper-income census tracts.

Although there are no branches in low-income CTs, the branch locations are reasonably accessible to the LMI CTs throughout the AA. The South Bay branch office in Chula Vista borders a moderate-income CT and is surrounded by six LMI CTs. Furthermore, two of the three recently opened branches, the Carlsbad and Southeast San Diego offices, are within a couple of miles of a number of LMI CTs. SDNB did not close any branches during the evaluation period.

To augment the branch system, SDNB operates eleven proprietary ATMs throughout the AA. The wide geographic dispersion of the bank's ATMs makes them readily accessible to most anyone in the AA, including those in low-income CTs. There are four ATMs (or 36% of the total ATMs) in moderate-income areas compared to 22% of the population, which resides in moderate-income areas. There also are five ATMs located in middle-income tracts, which are readily accessible to several moderate-income tracts, and two ATMs in upper-income CTs. SDNB offers "no charge" ATM use for customers and non-customers at all its ATMs.

SDNB offers the same wide range of banking products and services throughout its branch network. Over the evaluation period, SDNB opened a SBA Department and earned Preferred Lending status, enabling SDNB to provide significantly enhanced service to small businesses. They also expanded their consumer loan product line to include lengthened amortization periods for home equity loans, making it easier for LMI individuals to qualify. Check cashing services for non-customers also are provided. This is a responsive service for the LMI population in the bank's AA.

Business hours are reasonable and structured to accommodate customer needs. To provide better service to its customers, SDNB extended its banking hours in several branch locations. The Clairemont, Escondido, Fletcher Hills, North Park, Rancho Bernardo, Southeastern, Chula Vista, and Carlsbad branch offices offer Saturday morning hours in addition to the regular weekly hours in order to remain competitive in that segment of the market place. Customers also may access banking services by mail, computer, or telephone. Account information to customers through the use of "Bank by Phone" service is available 24 hours a day, 7 days a week. However, the bank did not have any information on how LMI individuals and geographies are affected by their alternative delivery systems. Therefore, we did not place significant weight on the alternative delivery systems.



## Community Development Services

SDNB is a leader in providing CD services. Senior management and officers do an excellent job providing financial services and technical assistance to a variety of community organizations. These services are responsive to the community development needs of the AA. About 35 (or 15%) of the bank's employees provide financial services and/or fund raising expertise to about 47 community development organizations. The following examples highlight some of the more significant services rendered:

- The bank's President and two bank officers serve on the boards, advise, participate on the loan committee, and provide financial expertise for three community and economic development organizations, one which is a state-wide CDC. These organizations provide micro-business loans as an alternative to conventional lending. This helps promote economic development by financing small businesses and LMI individuals. SDNB is the only San Diego financial expertise contributor to the statewide board of directors.
- The bank's Chairman of the Board provides financial service expertise to an organization that is working to revitalize LMI geographies within the city of San Diego. He helped start the organization, and he has been involved in strategic planning, budgeting, and working with redevelopment agencies to facilitate some of the projects.
- Three bank officers recently joined the task force and provide financial expertise for a statewide redevelopment agency that is currently in the implementation stage. The organization's mission is to create innovative financing initiatives to fund CD activities, including affordable housing, small business development, and community real estate projects. One of the agency's planned projects is to redevelop blighted and contaminated lands in a predominately moderate-income geography within the bank's AA. SDNB is currently the only San Diego headquartered bank participating in this task force.
- The bank's President participates on an economic prosperity committee that is working on a twenty-year plan to accommodate growth by planning for new facilities, such as affordable housing, and to strengthen the infrastructure of San Diego County. He is the only banker on economic prosperity committee and provides his financial service expertise and banking perspective to issues that arise.
- The CRA officer serves on the community advisory board executive committee and provides financial service expertise on fund raising and lobbying activities to non-profit organizations and governmental entities to obtain funding,

subsidies, and grants. The organization provides financial education for community and economic development.

- A bank officer serves as a board member and provides financial service expertise that has helped an organization that acquires and renovates abandoned homes and resells them to LMI, first-time home buyers. The organization also provides financial education and counseling to LMI families.
- A bank officer has served on the board for the past three years and provided financial service expertise to an organization that is working to revitalize a moderate-income geography in downtown San Diego.
- The CRA officer provides financial service expertise and technical assistance to the city chartered reinvestment task force within the AA. The task force works to fulfill the CRA, in conjunction with the regulatory agencies, by monitoring bank lending practices in lower income communities and developing strategies for reinvestment in LMI communities. The task force recently conducted an affordable housing and credit needs assessment for the entire MSA.
- A bank officer is a board member and provides financial expertise about banking services to an organization that provides counseling to first-time home buyers, many of which are LMI individuals.
- The bank provided financial services for a very large health-service fund raising event that serves primarily LMI people. The bank provided staff, its facilities, courier service, and security needed to process the cash and checks collected.
- The bank is the exclusive servicer and provider of free loan documentation preparation services for 118 loans for a bankers small-business CDC. This is done on a pro-bono basis. Recently, SDNB provided loan documentation training to the CDC at their request. A bank employee is always available for consultation and preparation of loan documents when needed.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term  $\Delta$ Full-Scope) and those that received a less comprehensive review (designated by the term  $\Delta$ Limited-Scope).

<b>Time Period Reviewed</b>	Lending Test: January 1, 1998 to December 31, 1999 Investment Test: March 17, 1997 to May 1, 2000 Service Test: March 17, 1997 to May 1, 2000	
<b>Financial Institution</b>		<b>Products Reviewed</b>
San Diego National Bank San Diego, California		Small Business Loans, CD Loans, CD Investments, Retail Banking Services, and CD Services
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None reviewed	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
San Diego #7320	Full-Scope	NA

## Appendix B: Market Profiles for Full-Scope Areas

### San Diego County MSA

Demographic Information for Full-Scope Area: San Diego County MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	445	6	22	43	26	3
Population by Geography	2,498,016	6	23	44	25	2
Owner-Occupied Housing by Geography	946,240	5	23	46	26	0
Businesses by Geography	98,849	4	24	44	28	0
Farms by Geography	0	0	0	0	0	0
Family Distribution by Income Level	605,144	20	19	22	39	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	233,521	11	34	42	13	0
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$ 39,922 = \$ 52,500 = 9%	Median Housing Value Unemployment Rate				= \$198,213 = 2.98%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 199X HUD updated MFI.

The bank's AA is the San Diego County MSA 7320 that includes the city of San Diego, 17 other incorporated cities, and several unincorporated areas. The AA consists of 445 CTs within the MSA. The AA contains all the CTs except for the Cleveland National Forest. The AA contains 26 low-income, 96 moderate-income, 193 middle-income, 117 upper-income CTs, and 13 CTs with no income information reported. The bank's AA complies with the regulation and does not arbitrarily exclude low- or moderate-income areas.

Based on the 1990 census, San Diego County ranks 16<sup>th</sup> in population of all metropolitan areas in the United States. However, the population has grown and is now approximately 2.8 million people. The 1999 HUD adjusted median family income (MFI) of \$52,500. The cost of living is about 28% above the national average. According to the San Diego County records, the average cost of homes was \$220,000 in January of 2000. This report showed that San Diego County was the 9<sup>th</sup> least affordable housing market in the nation. As indicated, affordability is a significant issue.

The local economy is strong and growing. Major industries include high tech manufacturing, real estate development, technology, retail, tourism, international trade, and government/military, to a lesser degree. The unemployment rate in San Diego County was 3% in 1999.

SDNB operates in a competitive financial environment in the MSA, but is the largest community bank in San Diego County. SDNB serves the MSA with 14 full-service branches and 11 full-service ATMs. There are 66 other financial institutions in the AA. Local competition consists primarily of six other large banks, a finance company, and two large brokerage houses. These financial entities are involved in a variety of lending which includes real estate, commercial, and consumer loans.

Through our contacts with bank management and local community development groups, the primary credit needs of the community are for redevelopment, affordable housing, loans to small business (including micro-loans), and various consumer loans. CD needs are high, but the opportunities are moderate.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the  $\Delta$ bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.





**Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME												State: CALIFORNIA	Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses**		Small Loans to Farms		Community Development***		Total Reported Loans		% of Rated Area Loans(%) in MSA/AA	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)		
Full-Scope:													
San Diego MSA	100.00	53	14,766	513	94,795	0	0	81	99,386	647	208,947	100.00	

\* Deposit data as of June 30, 1999.

\*\* Small Loans to Businesses data as of January 1, 1999 through December 31, 1999.

\*\*\* CD loan data as of March 17, 1997 through May 1, 2000.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE												State: CALIFORNIA	Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999			
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
San Diego MSA	1.88	26.67	13.42	20.00	49.05	33.33	35.64	20.00	NA	NA	NA	NA	NA	NA	15	100.00

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT																	State: CALIFORNIA		Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans					
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**				
Full-Scope:																				
San Diego MSA	1.88	0.00	13.42	13.04	49.05	30.44	35.64	56.52	NA	NA	NA	NA	NA	NA	23	100.00				

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE																	State: CALIFORNIA		Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans					
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**				
Full-Scope:																				
San Diego MSA	1.88	13.33	13.42	0.00	49.05	33.34	35.64	53.33	NA	NA	NA	NA	NA	NA	15	100.00				

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES										State: CALIFORNIA		Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
San Diego MSA	3.74	3.70	24.02	30.02	44.08	29.63	27.96	36.65	NA	NA	NA	NA	NA	NA	513	100.00

(\*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

(\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS										State: CALIFORNIA		Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
San Diego MSA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

(\*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
San Diego MSA	19.87	0.00	18.72	0.00	22.32	6.67	39.09	26.66	NA	NA	NA	NA	NA	NA	15	100.00

(\*) As a percentage of loans with borrower income information available. No information was available for 67% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
San Diego MSA	19.87	0.00	18.72	17.39	22.32	4.35	39.09	78.26	NA	NA	NA	NA	NA	NA	23	100.00

(\*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 1999								
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
San Diego MSA	19.87	0.00	18.72	0.00	22.32	33.33	39.09	60.00	NA	NA	NA	NA	NA	NA	15	100.00

(\*) As a percentage of loans with borrower income information available. No information was available for 7% of loans originated and purchased by the bank.  
 (\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES				State: CALIFORNIA				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999			
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Loans To Businesses		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total****	
Full-Scope:											
San Diego MSA	74.08	57.50	NA	54.19	21.05	24.76	NA	NA	513	100.00	

(\*) Businesses with revenues of \$1 million or less as a percentage of all businesses.  
 (\*\*) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 12% of small loans to businesses originated and purchased by the bank.  
 (\*\*\*) The market consists of all other Small Business reporters in the MSA/AA and is based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Business Data only.

(\*\*\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.



**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS State: CALIFORNIA Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999										
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans	
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total*****
Full-Scope:										
San Diego MSA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

- (\*) Farms with revenues of \$1 million or less as a percentage of all farms.
- (\*\*) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0% of small loans to farms originated and purchased by the bank.
- (\*\*\*) The market consists of all other Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.
- (\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.
- (\*\*\*\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: CALIFORNIA Evaluation Period: MARCH 17, 1997 TO MAY 1, 2000									
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$≈s	#	\$ (000's)
Full-Scope:									
San Diego MSA	2	28	112	7,478	114	7,506	100.00	0	0

(\*) Δ Prior Period Investments Δ means investments made in a previous evaluation period that are outstanding as of the examination date.

(\*\*) ΔUnfunded CommitmentsΔ means legally binding investment commitments reported on the Report of Condition Schedule-L ΔOff Balance Sheet Items. Δ

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																State: CALIFORNIA				Evaluation Period: MARCH 17, 1997 TO MAY 1, 2000			
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population									
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches In MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography									
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp						
Full-Scope:																							
San Diego MSA	100.00	14	100.00	0.00	28.5 7	42.8 6	28.5 7	0	3	0.00	0.00	+2	+1	5.21	22.6 4	45.9 8	26.16						