



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

July 07, 2003

### Community Reinvestment Act Performance Evaluation

San Diego National Bank  
Charter Number: 17114

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San Diego, CA 92101

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**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, 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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## Overall CRA Rating

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

The following table indicates the performance level of **San Diego National Bank** ("SDNB" or the "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	X
High Satisfactory			
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:

- The bank's level of originated and purchased loans is good. The geographic distribution of loans to small businesses is excellent and the geographic distribution of home mortgage loans is good. The distribution of small business loans by revenue size is good and the distribution of home mortgage loans by borrower income is adequate.
- The bank originated an excellent level of community development loans that provide financing for projects that revitalize and stabilize low- and moderate-income neighborhoods. Community development lending had a positive impact on the Lending Test rating.
- The bank has an excellent volume of qualified investments that are responsive to the identified needs of the assessment area.
- The bank has an excellent distribution of branches that are readily accessible to geographies and individuals of different income levels. The bank also provides an excellent level of community development services that are responsive and supportive of the community development needs in the assessment area.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**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 area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. 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 Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

SDNB is a full-service intrastate bank based in San Diego, California. SDNB was founded in November 1981 by a group of local business owners and bankers to primarily serve small and medium-size businesses. The bank is a wholly owned subsidiary of the FBOP Corporation (“FBOP”), headquartered in the Chicago area of Oak Park, Illinois. In early 1990, First Bank of Oak Park, with \$120 million in total assets, was the only financial institution owned by FBOP. In 1997, FBOP acquired San Diego National Bank when SDNB’s assets totaled \$172 million. Today, FBOP is a multi-bank holding company with over \$10 billion in assets and it operates nine commercial banks in California, Illinois, and Texas.

Subsequent to FBOP’s acquisition of SDNB, FBOP merged approximately \$1.3 billion in assets from other acquired financial institutions into the bank. As of the bank’s March 31, 2003, Consolidated Report of Income and Condition, SDNB reported total assets of \$1.9 billion, total deposits of \$1.7 billion, and net income of \$7.3 million. Its Tier One Capital of \$183.2 million represents 10.7 percent of the bank’s risk-weighted assets. SDNB serves the San Diego community through 16 full-service branches. The bank’s main branch is located in downtown San Diego. In addition, the bank offers 24-hour banking services through its 14 onsite Automated Teller Machines (“ATM”). Please refer to Table 15 in Appendix C-1 for the distribution of branches and ATMs.

SDNB’s CRA assessment area is the San Diego Metropolitan Statistical Area (“MSA”), which includes all of San Diego County. This assessment area is highly competitive with numerous large, regional, and community banks and other financial service providers. The largest banks offering commercial and consumer financial products in the assessment area include Bank of America, Washington Mutual Bank, Wells Fargo Bank, Union Bank of California, California Bank & Trust, U.S. Bank, and San Diego County Credit Union.

The bank’s primary credit products offered include commercial, commercial real estate, construction, and small business loans under the Small Business Administration’s (“SBA”) programs. Lending opportunities for affordable housing and small business financing within the San Diego MSA has been limited and often challenging. Land is in short supply because of physical barriers on three of four sides of the assessment area from Camp Pendleton Marine Base on the north side, the Pacific Ocean on the west side, and the Mexico border on the south side. Additionally, the continued influx of immigrants keeps demand for affordable housing high. The short supply of land coupled with the increase in new housing demand has increased housing costs to levels that are not affordable for many low- and moderate-income families. Small business lending opportunities have declined as large banks have increased the availability of open-end credit lines for small businesses.

The OCC evaluated SDNB as a large institution at its previous CRA examination as of May 1, 2000. The bank was rated “Outstanding.” There are currently no legal, financial, regulatory, or other factors impeding the bank’s ability to meet the credit needs of its assessment area.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Our evaluation considers SDNB's home mortgage and small business lending activities from January 1, 2000, through December 31, 2002. The evaluation period for community development lending, investments, and services include all activities since the last CRA Performance Evaluation through July 7, 2003. Refer to Appendix A for additional details of the examination scope.

### Data Integrity

The OCC performed a data integrity examination during May 2003, to determine the accuracy of the bank's home mortgage and small business lending data that are used in this evaluation. Examiners also reviewed the bank's community development loans, qualified investments, and service activities to determine if each activity has community development as its primary purpose. Based on the OCC's sampling, it was determined that several errors existed in the small business loan data reported for years 2000, 2001, and 2002, which required correction. As a result, bank management reviewed its small business loan files and corrected all errors. The revised data was used in this evaluation. Examiners did not identify any material inaccuracies in the home mortgage lending data.

### Selection of Area for Full-Scope Review

The OCC performed a full-scope review of the San Diego MSA. The assessment area comprises 445 census tracts. Demographic information used in this evaluation is based on the 1990 U.S. Census figures. The distributions of census tracts in the assessment area according to income levels are 26 (6 percent) low-income; 96 (22 percent) moderate-income; 193 (43 percent) middle-income; and 117 (26 percent) upper-income. Thirteen of the census tracts were not classifiable by income level. Refer to Appendix A and Appendix B for complete descriptions of the assessment area.

### Ratings

The bank's overall rating is based on the full-scope review of the San Diego MSA. In arriving at the bank's overall record of performance, the OCC evaluated activities under the Lending, Investment, and Service Tests. The rating method is structured such that the Lending Test weighs most heavily of the three evaluation tests. Within the loan products, examiners weighted the performance in small business lending the heaviest as small business loans represent approximately 77 percent of all reportable loans and are the institution's primary lending focus, followed by multifamily lending.

Analyses of the home mortgage product do not weigh heavily in the overall Lending Test evaluation. Excluding multifamily loans, the bank originated or purchased 247 home mortgage loans during the three-year period. Overall, home mortgage volume is low as the bank brokers home purchase and refinance loans for investors, so the investor reports the originations. The bank entered into these broker relationships during mid-2000. The bank has opted not to collect and report home equity lines of credit.



The bank did not originate or purchase any small loans to farms during this evaluation period.

## **Other**

Examiners conducted an interview with a local trade association in the assessment area that sponsors job programs targeted at disadvantaged men and women. Examiners also reviewed information from past interviews conducted by the OCC and other regulatory agencies. These interviews included housing organizations and other local government agencies. The organizations identified the area's primary credit needs of affordable housing and job creation for low- and moderate-income persons. Refer to the "*Market Profile*" section in Appendix B for additional information on area needs.

## **Fair Lending Review**

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Area Receiving Full-Scope Review

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.

The key findings that support the rating include:

- The bank's level of originated and purchased loans is good and the lending levels are consistent with its strategic focus and financial resources.
- The geographic distribution of small business loans is excellent and the geographic distribution of home mortgage loans is good.
- The distribution of small loans to businesses of different sizes is good and the distribution of home mortgage loans to borrowers of different income levels is adequate.
- The bank originated an excellent level of community development loans that primarily provide financing for projects that revitalize and stabilize low- and moderate-income neighborhoods and had a positive impact on the Lending Test rating.

#### Lending Activity

*(Refer to Tables 1 Lending Volume and 1 Other in Appendix C for the facts and data used to evaluate the bank's lending activity.)*

Overall, lending activity in the San Diego MSA is good based on small business, home mortgage, and community development lending. While the bank's volume in small business lending is not high as reflected in its market shares based on numbers of loans, the bank ranked in the top five of small business lenders in San Diego based on dollars of small business loans originated. In addition, SDNB originated \$164.9 million in community development loans that helps to augment the bank's level of overall lending activity. The bank's community development loans represent 39 percent of the bank's total reportable loan volume by dollar. The OCC also considered other loan products that are secured by residential real estate, but were used for small business purposes.


Contextual issues relating to the bank's operational history, strategic focus, and market competition are more fully discussed in the "*Description of Institution*" section on page 6 and "*Market Profile*" section in Appendix B.

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

Lending activity from small business lending is good. Based on the most recent lending market share data publicly available for 2001, the bank's market share for small loans to businesses based on loan dollars was 4.14 percent, ranking SDNB fifth among all lenders in the San Diego MSA. The bank's market share of small loans to businesses by number of loans was 0.53 percent, which ranks the bank 21 out of the 57 commercial lenders. Four lenders, which originate large numbers of small dollar loans to businesses, dominate the market. These four lenders have a combined market share of 53.75 percent and an average loan size of only \$3,400. This small loan size is indicative of credit card lending. In contrast, SDNB's average loan size was \$193,000. To put the bank's market share of loans into perspective and to gauge the volume of lending in relation to the bank's size and capacity, the OCC also compared the bank's lending market shares to its deposit market shares. Deposit market share information from the Federal Deposit Insurance Corporation ("FDIC") as of June 30, 2001, shows the bank's market share of 3.57 percent, which is exceeded by its dollar market share for small loans to businesses. This deposit market share ranks the bank eighth among 93 commercial banks, thrifts, and credit unions operating in the San Diego MSA.

During the evaluation period, SDNB also originated 122 other loans totaling \$46.6 million that are secured by residential real estate, but were made for small business purposes. These loans are in amounts of \$1 million or less. Because a bank cannot report loans secured by residential real estate as small business loans, it may at its option collect and maintain the loan data for consideration in its CRA performance. These additional loans, while not included in the volume or market share information for comparative purposes, show further efforts the bank is making in helping to meet the small business credit needs of its assessment area.

### ***Home Mortgage Loans***

Home mortgage lending is low. The bank's market shares in 2001 for home purchase, home improvement, home refinance, and multifamily loans by numbers of loans were 0.00 percent, 0.46 percent, 0.01 percent, and 0.01 percent, respectively. With all mortgage products combined, the bank's market share was 0.03 percent, ranking the bank 177 out of 617 residential mortgage lenders. This combined market share is based on 81 home mortgage loans originated or purchased during 2001. The bank's market share based on total dollars in loans originated was 0.01 percent, ranking the bank 274<sup>th</sup>. This low market share and ranking are based on \$5 million in total originations and an average loan size of \$63,000 compared with the average loan size of \$209,000 for all lenders. 

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

SDNB's geographic distribution of small loans to businesses is excellent and its geographic distribution of home mortgage loans is good.

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

*(Refer to Table 6 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 loans to businesses in the San Diego MSA is excellent. The percentages of small loans to businesses in low- and moderate-income geographies exceed the

percentages of businesses in the same geographies. As Table 6 depicts, 3.66 percent of all businesses are located in low-income census tracts, while 5.02 percent of the bank's small loans to businesses were to businesses in these census tracts. The table also shows that while 22.69 percent of the businesses are located in moderate-income census tracts, the bank originated or purchased 24.91 percent of its small business loans in moderate-income tracts. Additionally, the bank's market shares of small loans to businesses in low- and moderate-income geographies exceed its overall market share for this loan product. SDNB's percentage of small loans to businesses in low- and moderate-income census tracts is also higher than the percentages for all lenders in the assessment area.

In addition, the geographic distribution of the 122 residential real estate-secured business loans is favorable compared to the demographics. Fifteen (12.30 percent) of the loans were made to businesses in low-income census tracts and 23 (18.85 percent) were made to businesses in moderate-income census tracts.

### ***Home Mortgage Loans***

*(Refer to Tables 2, 3, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.)*

The distribution of home mortgage lending by income level of the geography is good, based primarily on the geographic distribution of multifamily lending. However, performance is not weighted heavily under this characteristic given the overall low number of home mortgage loans originated or purchased during the evaluation period. The overall good distribution is based on comparisons to the distribution of owner-occupied units in each geography. Home mortgage products do not exceed the demographics in low- and moderate-income geographies with the exception of home purchase and multifamily loans. The geographic distribution of home improvement loans is good and the distribution of home refinance loans is adequate, reflecting a distribution of these loans that is lower than the percentages of owner-occupied housing units.

### ***Home Purchase Loans***

Because the bank only originated or purchased six home purchase loans during the evaluation period, a geographic distribution analysis of this product would not be meaningful.

### ***Home Refinance Loans***

Based on 99 home refinance loans originated or purchased during the evaluation period, the distributions in low- and moderate-income geographies are adequate. The percentages of the bank's home refinance loans in low- and moderate-income geographies compared to the percentages of owner-occupied housing units in the same areas are low. However, the bank's distribution of home refinance loans is similar to the distribution performance of all lenders in the assessment area. Because the number of home refinance loans originated or purchased is low, performance in this product weighs little in the overall geographic distribution (See Table 4).

### ***Home Improvement Loans***

The distribution of home improvement loans in low- and moderate-income geographies is good, based on 142 loans originated or purchased. The percentage of home improvement loans in low-income tracts is below the percentage of owner-occupied housing units in low-income tracts. In moderate-income

tracts, the bank's performance is near the demographics. In addition, the percentages of the bank's home improvement loans in low- and moderate-income census tracts compare favorably to the distribution of home improvement loans by all lenders in the assessment area. SDNB's 0.83 percent market share of home improvement loans in low-income areas is higher than its overall market share of 0.71 percent. Its 0.49 percent market share of these loans in moderate-income areas is lower than its overall market share (See Table 3).

### ***Multifamily Loans***

The distributions of multifamily loans in low- and moderate-income geographies are excellent. Of the 63 multifamily loans the bank originated or purchased during the evaluation period, 20.63 percent were in low-income geographies while 60.32 percent were in moderate-income geographies. This distribution is excellent when compared to the percentage of multifamily units in each geography (See Table 5). The distribution also compares favorably to the distribution for all lenders in the assessment area based on aggregate mortgage data for 2001.

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

Examiners analyzed the bank's small business and home mortgage lending patterns within the San Diego MSA assessment area. Examiners noted no conspicuous gaps or areas with abnormally low loan penetration that could not be adequately explained. The percentages of the bank's small loans to businesses and home mortgage loans are not inconsistent with the percentages of small businesses and owner-occupied units in the assessment area. Of the 445 census tracts in the assessment area, the bank did not extend a small business loan in 238 of them. However, low- and moderate-income census tracts represented a smaller percentage of those without loan activity. Census tracts with little or no loan penetration are predominantly those tracts containing few owner-occupied housing units or businesses, tracts not near a SDNB branch, or tracts located in outlying areas of the assessment area that are served by other financial institutions.

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

Excluding multifamily lending, the bank's inside/outside ratio for each loan product is high. During the evaluation period, the bank originated or purchased a substantial majority of its small business loans and home mortgage loans to borrowers within its assessment area. The percentages of loans within the assessment area for these loan products are: small business (96 percent), home purchase (100 percent), home improvement (99 percent), home refinance (99 percent), and multifamily (28 percent). The bank purchased many of the multifamily loans from other financial institutions. Due to the lack of affordable multifamily housing projects being constructed in the San Diego MSA, many of the loans purchased were for properties outside of the bank's assessment area.

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

SDNB's distribution of small loans to businesses of different sizes is good and the distribution of home mortgage loans to borrowers of different income levels is adequate.

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

*(Refer to Table 11 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 bank's record of lending to businesses of different sizes is good. According to Dun & Bradstreet demographic data for 2002, approximately 69 percent of the businesses in the assessment area have annual sales/revenues of \$1 million or less. The percentage of the bank's loan originations and purchases to small businesses is less than the demographics. Approximately 53 percent of the bank's small loan originations to businesses were to those businesses with annual revenues of \$1 million or less.

In spite of the lower percentage of small business loans relative to demographics, the bank's performance exceeds the aggregate banks' performance in 2001. Based on 2001 aggregate data, all lenders on average originated approximately 41 percent their small business loans to businesses with revenues of \$1 million or less. Considering the four dominant lenders in the market, performance is also supported by the bank's stronger market share of loans to businesses with revenues of \$1 million or less, which significantly exceeds its overall market share for all business loans. Additionally, more than half of the bank's small business loans were in amounts of \$100,000 or less. Both of these factors show the degree of emphasis the bank has in making loans to smaller businesses.

In addition, 100 percent of the 122 residential real estate-secured business loans were made to businesses with revenues of \$1 million or less.

### ***Home Mortgage Loans***

*(Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.)*

The distribution of home mortgage lending by the income level of the borrower is adequate. Again, performance is not weighted heavily under this characteristic given the overall low number of home mortgage loans originated or purchased during the evaluation period. The adequate distribution of home mortgage loans is based on comparisons to the percentages of low- and moderate-income families in the assessment area and performance contextual issues relating to the high cost of living and barriers to affordable housing. The bank's percentages of home mortgage loans to low- and moderate-income families are significantly below the percentages of low- and moderate-income families in the assessment area, but generally consistent with all lenders in the assessment area.

### ***Home Purchase Loans***

Because the bank originated or purchased only six home purchase loans during the evaluation period, an analysis of this product by borrower income would not be meaningful.

### ***Home Refinance Loans***

The distributions of home refinance loans to low- and moderate-income families are adequate, based on 99 loans originated or purchased during the evaluation period. The percentages of the bank's home refinance loans to low- and moderate-income families are significantly below the percentages of low- and moderate-income families in the assessment area. However, the bank's performance is better than

the average performance for all lenders in the assessment area. Again, the performance reflects the high cost of housing and the affordability barriers for low- and moderate-income persons. Because the number of home refinance loans originated or purchased is low, performance in this product is weighted little in the overall distribution by borrower income (See Table 10).

### ***Home Improvement Loans***

The distributions of home improvement loans to low- and moderate-income families are adequate, based on 142 loans originated or purchased. The percentages of home improvement loans to low- and moderate-income families are significantly below the percentages of low- and moderate-income families in the assessment area. For example, low-income families make up 19.87 percent of the population, while only 3.55 percent of the bank's home improvement loans were to borrowers in this income category for a 0.00 percent market share. The comparison for moderate-income families is slightly better. SDNB's distributions of home improvement loans to low- and moderate-income borrowers are similar to the performance for all lenders in the assessment area, which reflect the high cost of housing and the affordability barriers for predominantly low- and moderate-income persons. The bank's 0.71 percent market share of home improvement loans to moderate-income families is similar to its overall market share of 0.74 percent (See Table 9).

## **Community Development Lending**

*(Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.)*

Community development lending is excellent. SDNB originated or purchased a very high level of community development loans during the evaluation period that positively enhance the performance under the Lending Test. Based on the OCC's sampling of community development loans, examiners qualified 79 loans totaling \$164.9 million as having a community development purpose. Approximately 82 percent of the community development loans, by dollar, were to provide financing for projects that primarily revitalize or stabilize low- and moderate-income areas throughout the San Diego area. Funding for affordable housing projects and programs accounted for approximately 12 percent of all CD lending. No community development loans were considered innovative.

One of the measures of a bank's performance in community development lending is a correlation of the percentage of CD loans relative to the bank's Tier One Capital as defined in the "*Definitions and Common Abbreviations*" section. The bank's level of community development lending represents 90 percent of Tier One Capital. This high level of community development lending indicates excellent performance. Examples of significant community development projects the bank financed include:

- The bank provided \$9.1 million in financing to purchase and rehabilitate a 170,573 square foot shopping center in a low- and moderate-income section of Downtown Escondido. The shopping center is partly vacant due to the bankruptcy liquidation of a major tenant. Rehabilitation of the center will revitalize and stabilize a blighted area by attracting and retaining businesses serving the community. Those businesses will provide permanent jobs for mostly low- and moderate-income persons.

- The bank provided \$34.7 million in financing to construct a major downtown hotel project that provides much needed permanent jobs for predominantly low- and moderate-income persons. This project is part of a \$470 million redevelopment program in the East Village district of Downtown San Diego. Approximately 70 percent of the hotel's 300 employees are full-time with 80 percent earning wages that are below 80 percent of the median family income. The project helps to revitalize and stabilize adjacent low- and moderate-income geographies. While the 512-room hotel is located in an upper-income census tract, all of the adjacent census tracts surrounding the hotel are low- or moderate-income tracts. The proximity of this project to the low- and moderate-income tracts revitalizes and stabilizes the tracts through permanent job creation.
- The bank provided \$36.6 million in mini-perm financing for a 283-room hotel and retail complex in the Centre City Development Corporation ("CCDC") redevelopment zone of the Gas Lamp District in San Diego. The bank provided the original construction financing during the prior evaluation. The project also provides much needed permanent job creation for low- and moderate-income persons. Approximately 90 percent of the 150 employees earn wages that are below 80 percent of the median family income. While the hotel is located in an upper-income census tract, the tract is surrounded entirely by low- and moderate-income census tracts. The project helps to revitalize and stabilize these adjacent low- and moderate-income census tracts through permanent job creation.

The bank also participates in six lending consortiums that provide financing to support small businesses and community organizations that lack access to financing through conventional banking channels. Many of the funds are directed toward minority and women-owned businesses.

## Product Innovation and Flexibility

SDNB's product flexibility has a positive impact on the overall Lending Test performance. No loan products are considered innovative.

SDNB has implemented flexible loan underwriting practices to help address the credit needs of low- and moderate-income families and geographies and small businesses. One example is the overdraft line of credit product. Low- and moderate-income individuals and other clients under the bank's Individual Development Account ("IDA") program may qualify for a minimum \$100 credit line, while the minimum credit line for other clients is \$500. The CRA Officer performs a second review of all denied applications from low- and moderate-income applicants to determine if a lower credit limit can be granted. This flexibility helps to increase the FICO scores of lower-income individuals by establishing credit. This in turn, helps low-income individuals qualify for future credit without higher sub-prime interest rates. During the evaluation period, the bank originated 26 such lines of credit for low- and moderate-income individuals.



## INVESTMENT TEST

### Conclusions for Area Receiving Full-Scope Review

The bank's performance under the Investment Test is rated "**Outstanding**." The bank's performance in the San Diego MSA is excellent.

The key findings that support the rating include:

- SDNB has a significant number and dollar volume of qualified investments in this evaluation period, and qualified investments outstanding from the prior period. This conclusion considers the numerous investment opportunities within the assessment area and the bank's capacity to address these needs.
- The bank's qualified investments are very responsive to the identified needs of the San Diego MSA. In addition, all of the qualified investments are within the assessment area.
- SDNB showed leadership in originating several qualified investments. Moreover, the bank sometimes makes complex and innovative investments, which are especially responsive to the community needs.

### Dollar Amount of Qualified Investments

*(Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.)*

The volume of qualified investments noted at this examination is high, in both the current assessment period, and investments outstanding from the prior period. The 130 qualified investments total over \$13 million and represent over seven percent of the bank's Tier One Capital. SDNB is considered well-capitalized, and there are no financial or legal impediments to its Investment Test performance. There is a strong need for qualified investments addressing affordable housing, small business and job development, and community services, and the opportunities within the community are numerous. Refer to the "*Market Profile*" section in Appendix A and Appendix B for a description of the community's investment needs.

Fifty percent of the qualified investments (by dollar) were originated within the current assessment period, with ninety-three percent of the number of qualified investments in the current period. The high dollar volume of investments from the prior assessment period is attributed to three large investments with a current outstanding book value of approximately \$6 million. The prior period investments continue to have an impact in the community. One example of a prior period investment with continuing impact is the mutual fund described in the following section.

### Responsiveness of Qualified Investments

The qualified investments are very responsive to the community needs with 57 percent of the dollars revitalizing and stabilizing the community, 22 percent supporting services to low- and moderate-income

persons, and 21 percent supporting low-and moderate-income housing. All of the qualified investments are within the bank's San Diego MSA assessment area. The high number and dollar volume of qualified investments in the current evaluation period also reflects on the bank's willingness to address the community's needs. The average size of the 99 qualified investments in the current period is just \$60,000, which provides funding for numerous community development organizations within the community. Another qualitative aspect of these investments is the zero-yield or grant nature, which comprise 96 percent of the number of investments.

SDNB displayed leadership in originating several qualified investments, and sometimes provided complex and/or innovative investments. Examples of these qualities are detailed in the qualified investments below.

- SDNB invested \$2 million in uninsured certificates of deposit in a local community development financial institution (CDFI), which was the first full-service, nationally chartered CDFI in the United States. The \$2 million was made available to the CDFI for the entire three-year assessment period, allowing for needed lending capacity. This CDFI serves low- and moderate-income families within the community through housing assistance, essential services, and small business development. In addition, SDNB previously made a \$400,000 equity investment in the CDFI, representing the largest pro-rata market share investment of any shareholder. This investment is an example of SDNB's leadership role in the community.
- SDNB created a scholarship endowment fund for students of low- and moderate-income families, which increased (through grants) to a value of \$95,000. This resulted in 10 scholarships to qualifying individuals seeking education or assistance in reentering the job market subsequent to a rehabilitation or incarceration.
- Before April 2000, SDNB invested over \$2 million in a qualified investment mutual fund serving the San Diego assessment area. In the current period, the bank's investment increased by another \$3 million. SDNB played a leadership role by providing direction to the investment advisor regarding the fund's investments during the assessment period, focusing 52 percent of the funds on low- and moderate-income housing and 48 percent toward economic development. Aspects of this investment are also complex due to the bank's additional efforts in directing the fund investments for the period. These directed investments included:
  - The fund purchased over \$1 million of a Fannie Mae pool that financed home mortgages for low- and moderate-income families in the San Diego MSA.
  - The fund purchased a \$285,000 Health Care Facilities Revenue Bond to provide mortgage financing for developmentally disabled persons in the community.
  - The fund purchased a portion of a Ginnie Mae Project loan investment that financed a "Section 8" project located in the Rancho Bernardo area of San Diego County. SDNB was allocated \$795,000 of this investment.

## SERVICE TEST

### Conclusions for Area Receiving Full-Scope Review

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

The key findings that support the rating include:

- The distribution of branches is excellent. The branches are readily accessible to geographies and individuals of different income levels.
- Branch openings and consolidations did not adversely affect the accessibility of the bank's delivery systems, particularly to low- and moderate-income individuals.
- Bank services are tailored to the needs of the assessment area, and do not vary in a way that would inconvenience portions of the assessment area, particularly low- and moderate-income individuals or geographies.
- SDNB is a leader in providing community development services. The bank provides an excellent level of community development services that are responsive and supportive of the community development needs in the assessment area.

### Retail Banking Services

*(Refer to Table 15 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.)*

#### *Branch Distribution*

The distribution of SDNB's 16 branches among geographies of different income levels is excellent based on 1990 as well as 2000 U.S. Census data. Based on 1990 U.S. Census data, six branches are located in moderate-income census tracts, which substantially exceeds the percentage of the population in moderate-income geographies. Several branches are also located in various Business Development and Incentive Zones.

Branch locations are readily accessible to geographies and individuals of different income levels. Due to changes in census tract designations as reflected in the 2000 U.S. Census, three of the branches are now in low-income census tracts and four are in moderate-income census tracts. The distributions of these branches in low- and moderate-income geographies using the 2000 U.S. Census data exceed the percentage of the population residing in these geographies indicating excellent branch distribution.

The bank's record of opening and closing branches has been positive with a net increase of one branch in a moderate-income census tract. In 2001, the bank opened the San Ysidro office in a moderate-income census tract. The bank also relocated the San Marcos branch from an upper-income census tract to a moderate-income census tract and relocated one branch within the same census tract. The bank has not closed any offices.

Branch hours are reasonable. All of the branches except the Downtown office are open Monday - Thursday from 9:00 a.m. to 4:00 p.m., and Friday from 9:00 a.m. to 6:00 p.m. The Downtown branch is opened Monday - Friday from 9:00 a.m. to 4:30 p.m. In addition, all of the branches except the Downtown, Encinitas, Golden Triangle, and Mission Valley branches are open Saturday from 9:00 a.m. to 1:00 p.m. The business nature of the Downtown branch precludes opening on Saturday. The other offices that are closed on Saturday are all in middle-income or upper-income census tracts. The bank added Saturday morning hours to the San Marcos branch when it was relocated to the moderate-income census tract.

### *Retail Services and Alternative Delivery Systems*

The bank's retail services and alternative delivery systems are responsive to the needs of the community. The bank offers a wide range of consumer and business loan and deposit products at each of the full-service branch locations. In December 2000, the bank introduced "Budget Checking," a deposit product specifically targeted at low- and moderate-income individuals. The account allows for a low opening balance, no charge with Direct Deposit, and unlimited check writing with no transaction charges. SDNB offers account information 24 hours a day through the "Bank by Phone" service. In 2001, the bank began offering on-line banking products to businesses as well as individuals. Personal on-line banking is offered free of charge. Because no information was available on how low- and moderate-income individuals were affected by the retail services and alternative delivery systems, the OCC could not place significant weight on the services and systems described.

The bank offers proprietary ATMs at all of the branch offices except Encinitas and Mission Valley, which are both in middle-income census tracts. The distribution of ATMs in moderate-income census tracts substantially exceeds the percentage of the population residing in the moderate-income geographies. In addition, the distribution of ATMs in low- and moderate-income geographies using the 2000 U.S. Census data exceeds the percentage of the population residing in each of these geographies. SDNB does not charge customers for ATM use.

## **Community Development Services**

SDNB provides an excellent level of community development services that are responsive and supportive of the needs of low- and moderate-income families in the assessment area. Senior management encourages and supports employee involvement and over 30 bank employees play an active role in approximately 50 community development organizations. Services include board and loan committee memberships, fundraising activities, and financial education.

The following are examples of the bank's various significant and innovative community development services:

- SDNB is the first and only bank participant in a City of San Diego Earned Income Tax Credit ("EITC") program targeted to low-income persons. The outreach program, which began during January 2003, creates awareness of the EITC and bank staff provides technical assistance to those eligible for the tax credit. The U.S. Treasury estimated that low-income taxpayers in San Diego might have up to \$135 million in unclaimed refunds stemming from the EITC. The bank also provides pro-bono branch space for the workshops and it developed a policy and voucher to accommodate recipients with check cashing at a significant discount to market rates. Because of

the bank's outreach efforts and assistance during the first six months of 2003, low- and moderate-income persons have received more than \$452,000 in EITCs.

- The bank's CRA Officer is Chairman of the Loan Advisory Board of an innovative regional loan fund that is targeted at addressing unmet commercial gap financing needs within defined distress communities in the San Diego region. The \$3 million revolving loan fund offers financial assistance to small businesses that lack funds to meet the equity requirements of bank financing. The loan fund received matching funding from the four participating cities to achieve the grant from the Federal government's Economic Development Administration.

## Appendix A: Scope of Examination

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 non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/00 to 12/31/02) Investment and Service Tests and CD Loans: (05/02/00 to 07/07/03)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
San Diego National Bank (“SDNB”) San Diego, California		Home Mortgage Purchase Loans, Home Mortgage Refinance Loans, Home Improvement Loans, Multifamily Loans, Small Loans to Businesses, Community Development (“CD”) Loans, Other Loan Products, CD Investments, Retail Banking Services, and CD Services.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A - No affiliate products reviewed.	N/A	N/A
<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 MSA #7320	“Full-Scope”	N/A

**Appendix B: Market Profile for Full-Scope Area**

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**Market Profile for Area Receiving Full-Scope Review**

San Diego MSA ..... B-2

## San Diego MSA

Demographic Information for Full Scope Area: San Diego MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	445	5.84	21.57	43.37	26.29	2.92
Population by Geography	2,498,016	6.24	23.15	43.98	25.26	1.36
Owner-Occupied Housing by Geography	477,564	1.88	13.42	49.05	35.64	0.01
Business by Geography	170,382	3.66	22.69	42.95	30.52	0.18
Farms by Geography	2,820	1.42	17.77	47.13	33.69	0.00
Family Distribution by Income Level	605,144	19.87	18.72	22.32	39.09	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	233,527	10.85	33.93	42.51	12.71	0.00
Median Family Income		39,798	Median Housing Value Unemployment Rate (1990 US Census)		198,213	
HUD Adjusted Median Family Income for 2002		60,100			2.98%	
Households Below Poverty Level		9.26%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

Bordered on the north by Orange and Riverside counties, on the east by Imperial County, on the west by the Pacific Ocean, and on the south by the Mexican border, the San Diego MSA (San Diego County) includes 4,261 square miles of urban and rural land. The 2000 U.S. Census indicates a population of 2,813,833, a 13 percent increase over the 1990 numbers. The San Diego Regional Planning Agency projects another 38 percent in population growth over the next 10 years.

Of the county's 605 census tracts (2000 U.S. Census), 48 are low-income and 135 are moderate-income. The overall area is comprised of 19 jurisdictions including 18 cities of which the city of San Diego, with a population of 1.2 million, is the largest. The most heavily populated areas are located along the coast where jobs are concentrated in the military, biotechnology, commercial, international trade, tourism, and professional services. Inland areas have more of an agricultural presence. Several Indian tribes and reservations are located within the county, with Native Americans comprising 1 percent of the area's population. There is even a tribally owned bank, Borrego Springs, N.A. located within the county.

Housing costs have risen over the last few years after a drop in prices during the early-mid 1990's, due to the recession of the period. San Diego's economy had been tied to the military and defense industries. When the recession forced cutbacks in those area's housing costs plummeted. However, by the end of the decade, with the turn around in the area's economy, they had begun to rise to a median price of \$230,000 for a single family home. There are currently 1,040,149 housing units in the county of which 551,461 or 55 percent are owner-occupied. Rental housing costs have also begun to rise after a period of subsidies and benefits aimed at luring in tenants to all levels of housing during the recession period. Rents rose by 30 percent from the mid-1990s to the present. Currently, there is a housing shortage for all income groups, which as usual has impacted low- and moderate-income residents most acutely.

There is a chronic need for affordable housing for special needs individuals; those with mental and physical disabilities and farm worker or day laborer housing. There is also an ongoing need for housing for the homeless with a population of 4,500 in the city and approximately 500-600 in the beach cities. Also, existing affordable housing is at risk. Another 5,300 units are eligible for conversion from



affordable to market rate rents. The need for military housing, at 4 percent of the market also exacerbates the area's housing shortage.

San Diego is the sixth largest city in the United States, and the second largest in California. The Milken Institute has labeled the city as the top-performing city in the state in job, wage and salary growth, and high-tech output. According to the same study, it is the fifth top-performing city in the country. Business opportunities exist in the county in the form of a workforce with access to several institutes of higher learning including the University of California at San Diego, San Diego State University, the University of San Diego, and other private colleges, community colleges, and vocational schools. There is a good employee base with a median age of 32. Telecommunications, software, and biotech are the fastest growing industries.

The region's location in Southern California on the Pacific Rim and its proximity to the Mexican border (17 miles from downtown San Diego) has resulted in trade benefits for businesses seeking to take advantage of the North American Free Trade Agreement ("NAFTA"). There is a Memorandum of Understanding ("MOU") between the City of San Diego and Tijuana. Businesses locating in the area are able to take advantage of a Foreign Trade Zone that provides a means of reducing or deferring customs duties, thus increasing cash flow. NAFTA has enhanced the creation of "twin plants" or maquiladoras, located on both sides of the border in Tijuana and the Otay Mesa section of the city.

### ***Area Needs***

In addition to the needs of job creation and services identified through interviews, San Diego's most urgent need is housing. The city's approach has been to address its housing deficiencies through its Housing Commission. The commission has a goal of providing affordable housing through the development, acquisition, and rehab of existing units. It targets very low, low-and moderate-income residents. It does advocate a mix of incomes rather than a saturation of an area with low-income people. The commission manages 1,860 units in 165 scattered sites. It also issues multi-family housing bonds with \$470 million outstanding that has resulted in 7,900 rental units, 3,203 of which are restricted for affordability. It also provides predevelopment grants and loans for non-profit developers in amounts from \$10,000 - \$50,000 for two years with rates from 0 - 3 percent. Rental subsidies are provided through the Family Self Sufficiency program in form of Section 8 vouchers and public housing assistance. Last, but not least, the commission has oversight of the Housing Trust Fund. The trust fund has been in existence since 1990. It has generated investment from the private sector at a 5:1 ratio. Over 6,200 affordable housing units and 452 transitional beds have been created and \$57 million in investments have been originated as of July 2002.

### ***Opportunities***

San Diego has a unique advocacy organization for community development, the Reinvestment Taskforce ("RTF"). The RTF is a quasi-public entity that was originally formed in 1977. Membership includes lenders, community based organizations, and local government in a partnership that seeks to provide community development loans, services, and investments for the low- and moderate-income segments of the county. The RTF has promoted its goals through 10 agreements with national, regional, and local banks. It estimates that as of 1999, over \$1.3 billion had been invested as the result of its efforts. Its current project is the Capital Collaborative, a venture capital-type fund patterned after Los Angeles' Genesis Fund and the Bay Area's Family of Funds. The purpose is to stimulate investment and development in low- and moderate-income areas. The RTF's goal is to raise \$60 million for the fund, with \$40 million from the banks.

The county has several CDFIs operating within its boundaries. Some are New Markets Tax Credit organizations. They include Neighborhood National Bank, a chartered community development bank, the Bankers Small Business CDC, the Clearinghouse CDFI, the Local Initiatives Support Corporation (“LISC”), and the Enterprise Foundation.

Although there is not a major philanthropic base in the area, two initiatives merit mention. In the City Heights area of the city, the Price Foundation is providing major funding and support for an Urban Village that includes a transit center, multi-family housing, a park, a charter school and a new police station. In the southeastern portion of the city, the Jacobs Foundation is working with the community to establish a unique form of community ownership in and around the Market Creek shopping center. Both projects are unique examples of development that have been spearheaded by private foundations.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “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 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. Tables without data are not included in this PE.

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. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MSA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- 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 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 Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. 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 share information based on the most recent aggregate market data available. Because small business data are not

available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table 7. 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 share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. 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 share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. 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. 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 12. 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. 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 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area. 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 be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments.

**Table 15. 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/assessment area. The table also presents data on branch openings and closings in each MSA/assessment area.

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Table 1. Lending Volume

LENDING VOLUME		Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002						
MSA/Assessment Area (2002):	% of Rated Area Loans (#) in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MSA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
San Diego MSA	100.00	310	48,257	1,057	202,453	0	0	79	164,913	1,446	415,623	100.00

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MSA rating area.

\*\* The evaluation period for Community Development Loans is from May 2, 2000 to July 7, 2003.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MSA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area (2002):	% of Rated Area Loans (#) in MSA/AA*	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in MSA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:														
San Diego MSA	100.00	122	46,610	122	46,610	0	0	0	0	0	0	0	0	100.00

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MSA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2000 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MSA, or institution, as appropriate.

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

Geographic Distribution: HOME PURCHASE			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% 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
<b>Full Review:</b>															
San Diego MSA	6	100.00	1.88	33.33	13.42	33.33	49.05	0.00	35.64	33.33	0.00	0.06	0.01	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* 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.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

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

Geographic Distribution: HOME IMPROVEMENT			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% 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
<b>Full Review:</b>															
San Diego MSA	142	100.00	1.88	1.41	13.42	13.38	49.05	34.51	35.64	50.70	0.71	0.83	0.49	0.42	1.11

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* 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.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

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

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% 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
<b>Full Review:</b>															
San Diego MSA	99	100.00	1.88	1.01	13.42	8.08	49.05	40.40	35.64	50.51	0.02	0.00	0.01	0.02	0.02

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* 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.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Diego MSA	63	100.00	8.32	20.63	33.09	60.32	43.56	17.46	15.03	1.59	0.42	0.98	0.19	0.26	1.69

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* Multifamily loans originated and purchased in the MSA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.



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

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Diego MSA	1,057	100.00	3.66	5.02	22.69	24.91	42.95	32.29	30.52	37.78	0.53	0.89	0.66	0.37	0.72

\* Based on 2001 Peer Small Business Data: US&amp;PR.

\*\* 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.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Diego MSA	0	0.00	1.42	0.00	17.77	0.00	47.13	0.00	33.69	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Small Business Data: US&amp;PR.

\*\* 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.

\*\*\* Source Data - Dun and Bradstreet (2002).

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

Borrower Distribution: HOME PURCHASE			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans***	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Diego MSA	6	100.00	19.87	0.00	18.72	0.00	22.32	50.00	39.09	50.00	0.00	0.00	0.00	0.01	0.00

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* As a percentage of loans with borrower income information available. No information was available for 33.33% of loans originated and purchased by SDNB.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* 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 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Diego MSA	142	100.00	19.87	3.55	18.72	7.80	22.32	17.73	39.09	70.92	0.74	0.00	0.71	0.79	0.78

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.70% of loans originated and purchased by SDNB.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* 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.

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**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: SAN DIEGO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Diego MSA	99	100.00	19.87	4.17	18.72	8.33	22.32	25.00	39.09	62.50	0.02	0.06	0.00	0.03	0.03

\* Based on 2001 Peer Mortgage Data: Western Region 2.

\*\* As a percentage of loans with borrower income information available. No information was available for 3.03% of loans originated and purchased by SDNB.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* 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 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES										Geography: SAN DIEGO		Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002			
	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*							
MSA/Assessment Area:	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less						
Full Review:															
San Diego MSA	1,057	100.00	68.53	52.70	51.75	24.60	23.65	0.53	0.67						

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* 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.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* 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 1.23% of small loans to businesses originated and purchased by the bank.

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**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: SAN DIEGO		Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					
MSA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
San Diego MSA	0	0.00	86.70	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Small Business Data: US&amp;PR.

\*\* 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.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&amp;B - 2002).

\*\*\*\* 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 0.00% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: SAN DIEGO		Evaluation Period: MAY 2, 2000 TO JULY 7, 2003					
MSA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
San Diego MSA	9	6,655	121	6,553	130	13,208	100.00	0	0

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

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																		Geography: SAN DIEGO				Evaluation Period: MAY 2, 2000 TO JULY 7, 2003							
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population															
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography															
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp												
Full Review:																													
San Diego MSA	100.00	16	100.00	0.00	37.50	37.50	25.00	2	0	0	+ 1	0	+ 1	6.24	23.15	43.98	25.26												