



Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act Performance Evaluation

**First Professional Bank, N.A.
Charter Number: 17423**

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Santa Monica, CA 90401**

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First Professional Bank, N.A. (FPB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **December 18, 1997**. The agency evaluates performance in assessment areas, 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.

Assessment Area (AA) - The town, municipality, county, some other political subdivision, or the MSA in which its branches are located and a substantial portion of its loans are made.

Census Tract (CT) - Small, locally defined 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 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 safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA 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 its disposition (e.g., approved, denied, withdrawn).

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 census tracts. 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. MSA's consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Low-Income - Income levels that are less than 50% of the MFI.

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

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

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

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution's CRA Rating: This institution is rated “Satisfactory”.

The major factors which support this rating include:

Lending Test

FPB's responsiveness to the credit needs of its AA is good. The distribution of loans among businesses of different sizes is good and the distribution of loans inside the bank's AA is adequate:

- The bank made 96% of the number and 98% of the dollar volume of loans during the evaluation period within its AA.
- FPB's level of community development lending is considered satisfactory, given the bank's size, business focus and level of opportunity within the AA.
- The bank has provided financing to businesses which directly benefit low-and moderate-income individuals, or non-profit organizations whose primary purpose is community development, and directly benefit the bank's AA.

Investment Test

The bank's level of qualified investments is adequate:

- The bank has made qualified investments which directly benefit low- and moderate-income individuals and geographies.
- The bank makes contributions/donations to various charities within their AA that serve low- and moderate-income individuals.

Service Test

The bank's level of services is satisfactory:

- Delivery systems are accessible to essentially all portions of the bank's AA.
- The bank has been effective in serving the banking needs of its business customers, particularly small businesses. Based on loan size, 94% of the bank's loans were to small businesses.
- FPB provides a relatively high level of community development services.
- Their participation with various non-profit organizations, which serve low- and moderate-income individuals, has been positive.

The following table indicates the performance level of **First Professional Bank, N.A.** with respect to the lending, investment, and service tests:

Performance Levels	First Professional Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

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

Description of Institution

First Professional Bank, N.A. commenced operations in August, 1982. It is a wholly-owned subsidiary of Professional Bancorp and is the Holding Company's only subsidiary. As of September 30, 1997, the total assets of FPB were \$234,183,000 and its loan-to-deposit ratio was 46%. The bank's total assets for the year's ended 12/31/94 through 12/31/96 were \$314,980,000, \$321,971,000 and \$263,000,000, respectively. Therefore, the bank is considered a large bank for CRA purposes. As of September 30, 1997, the loan portfolio included commercial (\$67,459,000), real estate (\$17,972,000), and consumer (\$14,429,000) loans. The greatest concentration of credits lies within health care and related service providers. Health care and related service borrowers include the following:

- * Hospitals
- * Physicians
- * Nursing Homes
- * Magnetic Resonance Imaging Centers
- * Labs
- * Surgery Centers
- * Preferred Provider Organizations
- * Dentists
- * Billing Services
- * Insurance

As of September 30, 1997, 80% of all loans were to health care related borrowers. There are no legal, financial, or other reasons that would impede the bank's ability to meet the credit needs of its AA. The bank operates five full-service branch offices in Santa Monica, Beverly Hills, Tarzana, Pasadena and Redlands, California. These locations are strategically located directly in or near significant health care centers in Southern California.

The bank's focus is meeting the financial needs of the medical services community and health care professionals. As a result, the bank's distribution of loans reflects the general distribution of medical facilities and office complexes throughout those portions of Los Angeles, San Bernardino, Riverside, Orange and Ventura Counties that comprise the bank's AA. The bank does not have a loan program with the Small Business Administration, but its focus is small business loans in the health care industry. The health care market niche has been the bank's core strategy since inception. The bank's directorate, management and staff are uniquely qualified to service this business segment. The Board of Directors is largely composed of individuals who are physicians or are otherwise conducting business in the health care industry. The bank's President, Melinda McIntyre-Kolpin, is highly experienced in the delivery of financial services to this market. Additionally, the bank offers limited services through the Automated Teller Machine (ATM) at Cedars Sinai Medical Center.

Description of the Assessment Area

The bank's AA includes the urban, heavily developed portions of five adjacent Southern California counties that in aggregate form the Los Angeles CMSA. The counties included are Los Angeles, Orange, Ventura, Riverside and San Bernardino. The AA encompasses approximately the southern 60% of Los Angeles County, the adjacent southwestern tip of San Bernardino County, the adjacent northwestern corner of Riverside County, the adjacent southwestern 40% of Ventura County, and the entirety of adjacent Orange County. The bank's AA is one contiguous region consisting of 2,416 whole census tracts within the five county region. FPB's CRA AA is large for a bank of its size. The reason for the large AA is due to the bank's wide ranging messenger service. The bank received a letter from Senior Attorney, Eugene Marsico from the OCC advising that, "the bank's messenger service would be regarded a branch. Consequently, the geographic route followed by the messenger service would need to be included by the bank in determining its CRA assessment area." The courier route extends from the Southern Orange County line, north into Ventura County and east into the westerly portions of San Bernardino and Riverside Counties.

Los Angeles County is where the majority of the bank's loans are located. Los Angeles county consists of 1,599 census tracts categorized according to income as follows: Low- 146, Moderate- 376, Middle- 522, Upper- 536, and No Income tracts- 19.

The total population in the AA is approximately 13 million, with a household count of approximately 4.5 million based on 1990 census data. The income demographics within the AA are well-distributed with income representation as follows: Low- 7.2%, Moderate- 23.8%, Middle- 36.5%, Upper 31.4%, and No Income- 1.1%.

Major industries within the AA include: Professional/administrative, sales, service, retail trade and manufacturing. The unemployment rate (6.5%) remains above national levels but is predicted to improve to national levels by 1999.

Within the bank's AA, the bank estimates that there are 186 hospitals, 4,778 physicians/dentists, and 2,190 non-profit health care organizations. The Southern California health care market is approximately \$59 billion and maintains banking assets of \$38 billion. This market is rapidly changing and becoming increasingly complex. Providers are merging and consolidating rapidly to position themselves to survive in the managed health care environment. Between 1989 and 1994, the number of doctor's offices declined by 9,585 while health service establishments increased by 19,153. However, physician offices have been replaced by larger groups and service providers which have added to employment rolls. During this period, the number of health services employees increased over 300,000.

Competition with other financial institutions who serve the bank's AA, including branches of regional and multinational banks, is strong. There are approximately 1,470 full-service commercial banks and 880 savings banks within the bank's AA, with total deposits estimated at \$165 billion. The primary competitors in the bank's service area are Imperial Bank and City National Bank, whose assets each exceed \$1 billion. With the transition in health care into larger service organizations, credit needs have grown significantly. Given the bank's size, it is

challenged to meet the needs of these large organizations competitively.

The credit needs of the AA, within the bank's market niche, have been identified as follows:

- revolving lines of credit for working capital
- term loans for equipment purchases or business expansion
- term loans for renovation of existing health care facilities
- accounts receivable lines of credit
- back-up letters of credit

Retail credit needs within the AA have been identified as follows:

- affordable housing loans with flexible underwriting and increased loan to value ratios
- micro-business loans
- SBA loans
- consumer loans of all types
- education pertaining to financial services, such as home buying seminars, credit counseling, and small business counseling

We determined these community needs based upon our discussions with community contacts during this examination. During our review we contacted and held discussions with two community organizations.

Opportunities for qualified investments exist within the bank's AA. These opportunities include many non-profit organizations, such as non-profit housing organizations, credit counseling agencies, small business development centers and community development corporations. The mission of these organizations is to provide small business and affordable housing loans as well as credit and finance counseling.

Additionally, there are many non-profit organizations supporting the causes of under-served health care markets and individuals. Programs include indigent-to-work programs for the homeless; home health care programs for AIDS patients and the terminally ill; transitional shelters for abused women and neglected children; elderly care facilities and programs; shelter and programs for the developmentally disabled and handicapped.

FPB received a rating of "satisfactory" at the last CRA examination, dated November 28, 1995. This examination covers the bank's performance under the lending test from January 1, 1996 to December 31, 1996, in order to analyze data for a full year. Data for 1997 was available only to June 30. We evaluated FPB's performance under the investment and service tests from January 1, 1996 to June 30, 1997. We evaluated the bank's community development lending from January 1, 1996 to June 30, 1997.

Conclusions with Respect to Performance Tests

Lending Test

In assessing lending performance, we focused on FPB's small business lending activity; AA concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies; community development lending; and product flexibility.

Conclusions:

FPB demonstrated a good responsiveness to the credit needs of the AA. A substantial majority of loans were made in the bank's AA. The loan portfolio showed a good distribution of loans among businesses of different sizes. The bank's loans were adequately distributed inside the AA.

Lending Activity

FPB's lending levels reflect good responsiveness to the credit needs of the AA. During 1996, the bank originated a total of 381 loans. Of these loans, 366 or 96% were made within the AA. And, 344 or 90% were made to small businesses.

Community Development Lending

FPB's level of community development lending is considered satisfactory, given the bank's size, business focus and level of opportunity within the AA. The bank has provided financing to businesses which directly benefit low- and moderate-income individuals and non-profit organizations whose primary purpose is community development that directly benefit the bank's AA.

The bank made 20 community development loans totaling \$14 million since the last CRA exam. Eight of the loans were made in 1996 and twelve of the loans were made in 1997. Ten loans were made through participation in the California Community Reinvestment Corporation. Four loans were made through participation in the Savings Association Mortgage Corporation. The primary purpose of these loans was to finance low-income multi-family housing development. Two loans were made directly to the Wilshire Foundation, which purchases and renovates senior care facilities providing care for low-income, elderly individuals. The bank also participated in two loans to Molina Medical. Molina Medical has multiple medical facilities in low- and moderate-income areas within the bank's AA. The remaining two loans were made to Western University of Health and Pasadena Civic Center West to facilitate mixed use commercial revitalization and low-income housing.

Assessment Area Concentration

A substantial majority of the bank's loans were made within its AA. Table 1 reflects that the bank made 96% by number of loans and 98% by dollar volume of loans within its AA.

Table 1 - LOANS IN AA vs. OUTSIDE AA				
	# of Loans	% by number	Dollar Volume	% by Dollar Volume
Loans within AA	366	96%	59,836,000	98%
Loans outside AA	15	4%	1,493,000	2%
Total 1996 originations	381	100%	61,329,000	100%

Geographic Distribution of Loans within the Assessment Area

The bank's loans are adequately distributed among all income levels within the AA. Table 2 illustrates that 25.4% of the bank's loans made within the AA were located in low- or moderate-income census tracts.

Table 2 - LOAN DISTRIBUTION BY CENSUS TRACT INCOME LEVELS			
Income Level	Number of Loans	\$ amount of loans	% of total loans
Low	11	\$4,529,000	7.5%
Moderate	39	\$10,713,000	17.9%
Middle	93	\$14,053,000	23.4%
Upper	222	\$30,336,000	50.7%
None Reported	1	\$205,000	.5%
Total	366	59,836,000	100%

Distribution of Loans to Businesses of Different Sizes

The bank has a good record of lending to businesses of different sizes as shown in Tables 3 and 4. During 1996, FPB made a total of 366 loans within the AA, of which 344 or 94% were small business loans based on loan size. Additionally, 64% of these business loan originations were for loan amounts of \$100,000 or less. The bank also made 181 or 52% of its business loans to businesses with revenues of \$1,000,000 or less.

Table 3 - LOANS BY SIZE OF BUSINESS				
ANNUAL REVENUES	Number of Loans	% of Number	Volume	% of Dollar Volume
Gross Annual Revenues \$1 million or less	181	52%	13,629,000	25%
Gross Annual Revenues over \$1 million	150	44%	40,970,000	74%
Unreported Income	13	4%	611,000	1%
Totals	344	100%	55,210,000	100%

Table 4 - Distribution of Small Business Originations in 1996 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	221	64%	\$10,676	19%	153	69%	\$6,689	63%
\$100,000 to \$250,000	65	19%	\$11,644	21%	19	29%	\$3,012	26%
\$250,000 to \$1,000,000	58	17%	\$32,890	60%	9	16%	\$3,928	12%
Totals	344	100%	\$55,210	100%	181	52%	\$13,629	25%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:					*As a percentage of loans of the size category			
	< 1 Million	52%						
	> 1 Million	44%						
	Unknown	4%						

Product Innovation and Flexibility

FPB makes limited use of innovative and/or flexible lending practices in order to serve the credit needs of its AA.

Investment Test

To assess FPB's performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development.

FPB has an adequate level of qualified investments given the bank's liquidity needs. As of June 30, 1997, the bank had \$259 thousand in qualified investments in the form of donations and grants to various non-profit organizations. The bank also makes contributions/donations to various

charities within their AA which benefit low- and moderate-income communities. Some of those charities include, Pediatric and Family Medical Center, Venice Family Clinic, I Have a Dream Foundation, Watts Health Foundation, and People Assisting the Homeless.

Pediatric and Family Medical Center provides health services and counseling to low-income families in central Los Angeles. Venice Family Clinic is the largest free health clinic in the United States. The clinic serves the homeless, poverty level and low-income individuals. I Have a Dream Foundation provides educational and counseling services for at-risk inner city youth located in low-income areas. Watts Health Foundation provides health services for low-income and impoverished individuals in Watts.

The bank also had a certificate of deposit with a local minority-owned savings and loan association and initial investments in community development organizations. For example, the bank has made initial investments in the Los Angeles Neighborhood Housing Services (“LANHS”) Revolving Loan Fund and the LANHS Small Business Loan Program.

Service Test

In assessing FPB’s performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours; services in meeting the needs of its AA’s; and, level of community development services.

FPB’s level of services is satisfactory. The bank has a business/commercial focus; however, the bank does offer retail banking services. The bank’s delivery systems are readily accessible to all portions of their AA and business hours and services are convenient to all customers.

FPB has five full-service branches which are located in Santa Monica, Beverly Hills, Tarzana, Pasadena and Redlands, California. Businesses, particularly small businesses, are not adversely affected by the location of branches and are well served via the bank’s courier service, which has in excess of 1,000 stops. The courier collects deposits from customers and delivers them to the bank’s processing center in Santa Fe Springs. The courier route covers southern Orange County, north into Ventura County and east into the westerly portions of San Bernardino and Riverside Counties.

Banking hours are favorable. The bank is open seven days a week in some locations and the courier route provides all bank customers an alternative way of banking. Their deposit and loan products are well suited for small businesses. Alternative systems for delivering banking services are provided through their five proprietary ATM’s located at each branch, and through the courier service.

Additionally, the bank offers a “Life Line” checking account to individuals. The account has reduced service fees and a reduced minimum opening balance requirement, which is favorable to low-income individuals.

Community Development Services

FPB provides a relatively high level of community development services. They have made strong efforts to serve all parts of their community, particularly low- and moderate-income geographies and individuals. Their participation with various non-profit organizations, which serve low- and moderate-income individuals, has been positive. Although the bank is “business” oriented, management continues to explore methods of delivering banking and financial oriented services to organizations serving low- and moderate-income individuals and geographies.

For example, the bank is working with Operation Hope, Inc. to establish a financial services program that would specifically target minority medical and other professionals located in low- and moderate-income geographies.

The following community development services qualify under the definition in the CRA regulation. These services were provided by the bank since the last CRA exam:

- Los Angeles Neighborhood Housing Services (LANHS): LANHS originates loans for down payment assistance, closing costs, repairs and any appraisal gaps associated with home purchase or refinance. LANHS will generally also make up to a 15% down payment assistance loan to the home buyer. The buyer is generally required to have a 2% minimum down payment. The program benefits low- and moderate-income individuals who have little or no established relationships with the local financial community. The bank is a member of this organizations’ loan committee and in this capacity reviews and votes on home purchase and renovation loans.
- LANHS Small Business Loan Program Development Committee: This program provides access to credit for small businesses through a flexible loan program, providing technical assistance and education as required. Priority is given to businesses which create or retain jobs for low- to moderate-income people and areas under served by traditional lenders. The bank has been active on this committee since 1995. The committee is developing a loan pool to make micro-business loans. FPB assisted in developing the underwriting procedures, application forms, loan documents and marketing material. The bank has also conducted a course on business owner orientation and taught the basics of understanding how to apply for credit and business loan underwriting.
- Operation Hope, Inc (OH): OH is a non-profit, public benefit organization, founded immediately following the civil unrest of April 29, 1992 in Los Angeles. OH is America’s first non-profit investment banking organization, committed to the revitalization and long-term sustenance of under-served communities. The bank played a leadership role in restructuring OH’s Down Payment Assistance Program and in establishing the Operation Hope secured credit card program. Various bank employees have volunteered time at the annual “Banking on the Future” dinner. Additionally, the Redlands branch is working with OH to initiate the “Banking on the Future” program in the Inland Empire.
- Watts Health Foundation: Watts Health Foundation provides health services for low-income and impoverished individuals in Watts. The bank is supporting the foundation in their

endeavor to expose at-risk youth to the work environment. The bank has created an internship program that will employ four students per year. Each intern will be assigned a mentor, who will work with them throughout their internship.

- Chrysalis: Chrysalis provides shelter and rehabilitation services for the homeless. Loan officers in the Beverly Hills office developed and conducted mock loan interviews with participants in the organization's job training program to help them improve their job interview skills.
- Venice Family Clinic: Venice Family Clinic is the largest free health clinic in the United States. The clinic serves the homeless, poverty level and low-income individuals. One bank officer is an active member on the Board. Management oversight and financial expertise is provided to the organization.

The bank also has a secured credit card program which benefits low-income consumers within its AA.

Fair Lending Review

We reviewed the bank's performance with respect to the following anti-discrimination laws; Equal Credit Opportunity Act, Fair Housing Act and the Home Mortgage Disclosure Act. We reviewed a sample of 22 loan files, which included 17 consumer loans from the HMDA-LAR and 5 business loans.

The bank's compliance with the requirements of the Equal Credit Opportunity Act (ECOA) and Fair Lending regulations is satisfactory. We found no evidence of discriminatory lending practices. No violations of the provisions of the anti-discrimination laws and regulations were identified. Fair Lending policies, procedures and training programs are adequate.

Appendix A: Scope of Examination

Our review covered FPB's performance under the investment and service tests from January 1, 1996 to June 30, 1997. The bank's performance under the lending test was evaluated from January 1, 1996 to December 31, 1996. We evaluated the bank's community development lending from January 1, 1996 to June 30, 1997. We focused our review on the bank's loans to business because the bank primarily lends to small businesses in the health care industry. Bank management elected not to have its consumer loans reviewed.