



WHOLESALE

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northern Trust Bank of California, N.A.
Charter Number: 17751**

**206 East Anapamu Street
Santa Barbara, California 93101**

**Office of the Comptroller of the Currency
Assistant Deputy Comptroller for Mid-Size Banks
440 South LaSalle Street, One Financial Place, Suite 2700
Chicago, IL 60605**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

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

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development lending, community development services, and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates occasional use of innovative and complex qualified investments, community development loans, and community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment areas.

Description of Institution

Northern Trust Bank of California, N.A. (“NTBC” or “the bank”) is a mid-size, intrastate bank headquartered in Santa Barbara, California, and is a subsidiary of Northern Trust Corporation (NTC). NTC is a \$39 billion multi-bank holding company located in Chicago, Illinois, with \$1.5 trillion in trust assets under administration, and subsidiaries in 12 states and five countries.

NTBC received its designation as a wholesale bank from the OCC on January 15, 1997. The bank’s business strategy focuses primarily on trust and private banking services. Its approach is not to compete on the basis of the number or array of banking products, but to compete on the basis of comprehensive relationships and quality of service. The bank’s customer base is primarily comprised of trust customers, with banking products and services provided on an accommodation basis.

Refer to Table 1 for an overview of NTBC’s financial information. As of December 31, 2002, the bank has total loans of \$1.1 billion, with \$634 million in total deposits. Trust assets under administration, including managed and non-managed assets, total \$11.4 billion.

Table 1: Financial Information (000s)

	Year-end 1999	Year-end 2000	Year-end 2001	Year-end 2002	Average for Evaluation Period
Tier 1 Capital	\$52,548	\$65,393	\$79,100	\$92,022	\$72,266
Total Income	\$108,017	\$133,986	\$129,058	\$120,641	\$122,926
Net Operating Income	\$21,558	\$30,000	\$21,609	\$19,184	\$23,088
Total Assets	\$884,487	\$1,079,348	\$1,118,187	\$1,213,656	\$1,073,920
Managed Assets	\$7,812,109	\$8,882,390	\$8,539,300	\$7,900,568	\$8,283,592

Source: Consolidated Report of Condition and Income and bank reported data.

The bank delivers trust and banking services through 11 branch offices and one automated teller machine within the state of California. The bank’s market encompasses eight counties, which comprise its seven assessment areas (AAs). Branches are located in Los Angeles, Marin, Orange, San Diego, San Francisco, Santa Barbara, Santa Clara, and Riverside counties. All AAs are located within metropolitan areas (MAs). Within its combined AAs, NTBC’s deposit market share is 0.15 percent.

There are no legal, financial, or other impediments that would prevent the bank from meeting the credit needs of its AAs. While the bank receives intense competition for community development loans, qualified investments, and community development services from large interstate and regional banks, it is capable of meeting the needs of its AAs in a manner consistent with its resources and business strategy.

Scope of the Evaluation

Evaluation Period/Activities Evaluated

In evaluating NTBC's performance under the CRA, we reviewed community development activities from July 1, 1999 through December 31, 2002. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the prior examination dated July 12, 1999, we rated the bank "Outstanding."

At the bank's request, we considered qualified investments provided by its affiliates, NTC and NorLease, Inc. NorLease is a leasing subsidiary of The Northern Trust Company, the lead bank of NTC.

If a bank has adequately addressed the needs of its AAs, the OCC will also consider community development activities that benefit areas outside of the bank's AAs in the evaluation of its performance. NTBC has adequately addressed the needs of its AAs and, therefore, we considered qualified investments located outside of its AAs, but within the broader statewide area.

We did not evaluate NTBC's performance in the recently delineated Santa Clara County AA. The bank established a limited-service trust office in this county in May 2001, at which time the office did not constitute a branch for purposes of the CRA. In August 2002, the office commenced banking activities and the bank delineated the Santa Clara County AA. Because of the limited time that the office has been operating as a branch, sufficient data were not available to perform a meaningful analysis of the bank's performance in the newly delineated AA.

Data Integrity

Prior to this evaluation, we verified information on NTBC's qualified investments, community development loans, and community development services to ensure the activities met the regulatory criteria. We found the bank-identified community development activities to be substantially correct and reliable.

Allocation of Financial Measures to Areas

This evaluation rates the overall CRA performance of NTBC. We derived the ratios in the family of financial measures contained in this evaluation by allocating bank capital, income, and managed assets to the AAs, where feasible and reasonable. We allocated the bank's capital, income, and managed assets to each AA based on its pro rata share of banking deposits. Based on data as of June 30, 2002, the pro rata share of deposits is 27 percent in the Los Angeles County AA, 25 percent in the San Francisco/Marin Counties AA, 16 percent in the Santa Barbara County AA, 16 percent in the San Diego County AA, 13 percent in the Orange County AA, and 3 percent in the Riverside County AA.

Selection of Areas for Full-Scope Review

We performed full-scope reviews of NTBC's performance in the Los Angeles County, San Francisco/Marin Counties, and Santa Barbara County AAs. We performed limited-scope reviews of the bank's performance in the San Diego County, Orange County, and Riverside County AAs. As stated above, we did not evaluate the bank's performance in the Santa Clara County AA because of the limited time since its delineation.

In selecting the AAs for full-scope review, we considered the relative demographics, proportion of deposits, and distribution of branches for each AA. The three full-scope AAs represent the bank's major markets and account for 68 percent of its deposit activity. Please refer to the "Description of Assessment Areas" section for additional information.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. When consolidating AA conclusions into the overall rating, we gave more weight to the Los Angeles County and San Francisco/Marin Counties AAs than to the Santa Barbara County AA. We also gave slightly more weight to the Los Angeles County AA than to the San Francisco/Marin Counties AA. This weighting is based on the significance of the AAs to the bank.

Other

In order to ascertain credit and community development needs and opportunities in the full-scope AAs, we reviewed information from various sources. These sources included: community contact interviews made by the OCC and other federal bank regulatory agencies; data on opportunities, organizations, and communities compiled by the OCC's community affairs division; consolidated plans prepared by the respective communities; CRA self-assessments prepared by NTBC; and CRA performance evaluations of other banks. Refer to the Description of Assessment Areas section for information on credit and community development needs and opportunities.

Description of Assessment Areas

NTBC has delineated seven AAs, which consist of the Los Angeles County AA, the San Francisco/Marin Counties AA, the Santa Barbara County AA, the San Diego County AA, the Orange County AA, the Riverside County AA, and the Santa Clara County AA. The bank's AAs meet the requirements of the CRA regulation and do not arbitrarily exclude low-and moderate-income geographies. A description of each full-scope AA follows.

Los Angeles County AA

The Los Angeles County AA consists of the entire county, which also represents the entire Los Angeles-Long Beach MA. NTBC operates two branch offices within the AA, one of which is located in the city of Los Angeles and the other in the city of Westwood. The bank derives approximately 27 percent of its deposits from this AA.

Refer to Table 2a for key demographic data. Los Angeles County is the largest county in the nation, with a population of 9.5 million in 2000. This reflects an increase of 7.4 percent from 1990. The 2002 estimated median family income for the AA is \$55,100. Owner-occupied housing units comprise 46 percent of the total housing units within the AA. Only 2 percent and 14 percent of the owner-occupied housing units are located in low- and moderate-income geographies, respectively. Over 12 percent of the households in the AA are below the poverty level.

Table 2a: Los Angeles County AA Description

	Number	Low	Moderate	Middle	Upper
Geographies	1,652	9%	23%	33%	34%
Families	2,036,104	23%*	17%*	20%*	41%*
Businesses	608,916	9%**	17%**	32%**	42%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

Percentages may not add to 100% due to rounding or geographies with no income designation.

* Represents families by income level. ** Represents businesses by income level of geography.

Banking competition is intense. There are 137 banks with a total of 1,548 offices in the AA. Together, the top two banks capture 35 percent deposit market share. NTBC's deposits in the AA total \$147 million, which equates to a 0.09 percent deposit market share.

During 2002, the unemployment rate for the AA averaged 6.8 percent, compared to the state unemployment rate of 6.7 percent and the national unemployment rate of 5.8 percent. Major industries include services (35 percent) and retail trade (16 percent).

Unmet credit and community development needs exist in the AA. The primary needs are for affordable housing for low- and moderate-income individuals and community services for the homeless. There are also needs for activities that promote economic development by financing small businesses, activities that revitalize and stabilize low- and moderate-income geographies, and other community services for low- and moderate-income individuals. A high level of opportunities are available to make loans to, invest in, and provide services to various projects, programs, and organizations that have a community development purpose. However, because of the large number

of banks in the AA, competition for community development loans, qualified investments, and community development services is also high.

San Francisco/Marin Counties AA

The San Francisco/Marin Counties AA consists of the entire counties of San Francisco and Marin, which are two of the three counties comprising the San Francisco MA. NTBC operates two branch offices within the AA, one of which is located in the city of San Francisco and the other in the city of Mill Valley. The bank derives approximately 25 percent of its deposits from this AA.

Refer to Table 2b for key demographic data. The AA is urban with a population of just over one million in 2000. This reflects an increase of 7.3 percent from 1990. The 2002 estimated median family income for the AA is \$86,100. Owner-occupied housing units comprise 38 percent of the total housing units within the AA. Only 2 percent and 15 percent of the owner-occupied housing units are located in low- and moderate-income geographies, respectively. Nearly 9 percent of the households in the AA are below the poverty level.

Table 2b: San Francisco/Marin Counties AA Description

	Number	Low	Moderate	Middle	Upper
Geographies	203	11%	22%	38%	27%
Families	202,766	24%*	19%*	21%*	36%*
Businesses	97,171	21%**	19%**	31%**	30%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

Percentages may not add to 100% due to rounding or geographies with no income designation.

* Represents families by income level. ** Represents businesses by income level of geography.

Banking competition is strong. There are 61 banks with a total of 334 offices in the AA. Together, the top two banks capture 61 percent deposit market share. NTBC's deposits in the AA total \$134 million, which equates to a 0.20 percent deposit market share.

During 2002, the unemployment rate for the AA averaged 6.5 percent, compared to the state unemployment rate of 6.7 percent and the national unemployment rate of 5.8 percent. The unemployment rate was 7.3 percent for San Francisco County and 4.0 for Marin County. Major industries include services (41 percent) and retail trade (15 percent).

Unmet credit and community development needs exist in the AA. The primary needs are for affordable housing for low- and moderate-income individuals and community services for the homeless. There are also needs for activities that promote economic development by financing small businesses, activities that revitalize and stabilize low- and moderate-income geographies, and other community services for low- and moderate-income individuals. A high level of opportunities are available to make loans to, invest in, and provide services to various projects, programs, and organizations that have a community development purpose. However, because of the large number of banks in the AA, competition for community development loans, qualified investments, and community development services is also high.

Santa Barbara County AA

The Santa Barbara County AA consists of the entire county, which also represents the entire Santa Barbara-Santa Maria-Lompoc MA. NTBC operates its main office and one branch office within the AA, both of which are located in the city of Santa Barbara. The bank derives approximately 16 percent of its deposits from this AA.

Refer to Table 2c for key demographic data. The AA is urban with a population of nearly 400,000 in 2000. This reflects an increase of 8 percent from 1990. The 2002 estimated median family income for the AA is \$56,800. Owner-occupied housing units comprise 51 percent of the total housing units within the AA. Over 10 percent of the households in the AA are below the poverty level.

Table 2c: Santa Barbara County AA Description

	Number	Low	Moderate	Middle	Upper
Geographies	82	1%	28%	35%	33%
Families	87,510	20%*	18%*	23%*	40%*
Businesses	27,681	<1%**	42%**	29%**	28%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

Percentages may not add to 100% due to rounding or geographies with no income designation.

* Represents families by income level. ** Represents businesses by income level of geography.

Banking competition is strong. There are 22 banks with a total of 95 offices in the AA. Together, the top three banks capture 51 percent deposit market share. NTBC's deposits in the AA total \$89 million, which equates to a 1.41 percent deposit market share.

During 2002, the unemployment rate for the AA averaged 4.2 percent, compared to the state unemployment rate of 6.7 percent and the national unemployment rate of 5.8 percent. Major industries include services (37 percent) and retail trade (16 percent).

Unmet credit and community development needs exist in the AA. The primary need is for affordable housing for low- and moderate-income individuals. There are also needs for activities that promote economic development by financing small businesses, activities that revitalize and stabilize low- and moderate-income geographies, and community services for low- and moderate-income individuals. Opportunities are available to make loans to, invest in, and provide services to various projects, programs, and organizations that have a community development purpose. However, because of the number of banks in the AA, competition for community development loans, qualified investments, and community development services is strong.

Conclusions About Performance

Conclusions for Areas Receiving Full-Scope Reviews

Summary

NTBC's level of qualified investments, community development lending, and community development services is high. Based on full-scope reviews, the bank's level of qualified investments, community development lending, and community development services in the Los Angeles County, San Francisco/Marin Counties, and Santa Barbara County AAs is high. The level of qualified investments, particularly those not routinely available from private investors, is high in the Los Angeles County and San Francisco/Marin Counties AAs and is adequate in the Santa Barbara County AA. The level of community development lending is high in each of the three AAs. The level of community development services is high in the Los Angeles County and Santa Barbara County AAs and is adequate in the San Francisco/Marin Counties AA.

NTBC makes occasional use of innovative and complex qualified investments, community development loans, and community development services. Based on full-scope reviews, the bank's use of innovative and complex qualified investments, community development loans, and community development services in the Los Angeles County AA is extensive. In the Los Angeles County AA, the bank has one innovative qualified investment, one complex and two innovative community development loans, and one innovative and one complex community development service. The bank has no innovative or complex qualified investments, community development loans, or community development services in the San Francisco/Marin Counties or Santa Barbara County AAs.

NTBC shows excellent responsiveness to credit and community development needs. Based on full-scope reviews, the bank's responsiveness to credit and community development needs in the Los Angeles County, San Francisco/Marin Counties, and Santa Barbara County AAs is excellent. In each of the three AAs, responsiveness is excellent for qualified investments, excellent for community development lending, and excellent for community development services.

Qualified Investments

Refer to Tables 3a and 4a for the facts and data used to evaluate the bank's level of qualified investments.

Table 3a: Qualified Investment Activity (000s)

	Los Angeles County AA**	San Francisco/ Marin Counties AA**	Santa Barbara County AA**	Outside AAs***
Originated Investments	\$4,506	\$830	\$632	\$2,500
Originated Grants	\$482	\$96	\$47	\$0
Prior-Period Investments that Remain Outstanding	\$658	\$1,138	\$4	\$0
Total Qualified Investments	\$5,646	\$2,064	\$683	\$2,500
Unfunded Commitments*	\$2,135	\$0	\$1,404	\$0

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

** Investments included in the respective AA columns are located in the AA or in the broader statewide or regional area that includes the AA, and benefit the AA or have the potential to benefit the AA.

*** Investments included in the Outside AAs column have no potential benefit to the bank's AAs.

Table 4a: Qualified Investment Percentages

	Los Angeles County AA	San Francisco/ Marin Counties AA	Santa Barbara County AA	Outside AAs
Total Investments/ Average Tier 1 Capital*	29%	11%	6%	5%
Total Investments/ Average Total Income*	17%	7%	3%	3%
Total Investments/ Average Managed Assets*	0.25%	0.10%	0.05%	0.04%

* Calculations reflect capital, income, and managed assets allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov. Calculations for investments included in the Outside AAs column reflect the combined capital, income, and managed assets of the full-scope AAs.

Los Angeles County AA

NTBC has a high level of qualified investments that show an excellent responsiveness to credit and community development needs in the Los Angeles County AA. Nearly 92 percent of the total qualified investments consist of equity capital in funds that finance affordable housing or small businesses. These types of equity capital investments are not routinely available from private investors. More than 90 percent of the total qualified investments address the need for affordable housing, which is a primary need within the AA.

NTBC makes use of innovative qualified investments in the Los Angeles County AA. The bank is an initial investor in the National Housing Development Corporation's (NHDC) California Investment Pool (CalPool). The purpose of CalPool is to acquire and preserve affordable housing properties in the state of California, particularly those that are at risk of losing their affordability due to expiration of federal subsidy programs, and sell the properties to qualified local nonprofit organizations once the properties have been appropriately stabilized. This is the first statewide, private investment pool with affordable housing acquisition and preservation as its sole focus. NTBC entered into a legally binding commitment to make an equity investment of \$1 million, with \$50,000 funded in the current evaluation period and \$950,000 remaining in unfunded commitments. Because a majority of the properties are expected to be located within Los Angeles, the entire investment is allocated to the Los Angeles County AA.

San Francisco/Marin Counties AA

NTBC has a high level of qualified investments that show an excellent responsiveness to credit and community development needs in the San Francisco/Marin Counties AA. Over 95 percent of the total qualified investments consist of equity capital in funds that finance affordable housing or small businesses. These types of equity capital investments are not routinely available from private investors. Nearly 89 percent of the total qualified investments address the need for affordable housing, which is a primary need within the AA. Prior period investments also have a continuing impact on the AA. Over \$1 million of prior period investments continues to finance eight apartment buildings that provide affordable housing, with the remainder continuing to support a multi-bank community development corporation and three community development financial institutions. None of the qualified investments in the San Francisco/Marin Counties AA have innovative or complex characteristics.

Santa Barbara County AA

NTBC has an adequate level of qualified investments that show an excellent responsiveness to credit and community development needs in the Santa Barbara County AA. Over 93 percent of the total qualified investments consist of equity capital in funds that finance affordable housing or small businesses. These types of equity capital investments are not routinely available from private investors. More than 88 percent of the total qualified investments address the need for affordable housing, which is the primary need within the AA. The bank also has a significant unfunded commitment on an equity investment in an affordable housing limited partnership for the purpose of constructing 26 apartment buildings within the AA. None of the qualified investments in the Santa Barbara County AA have innovative or complex characteristics.

Outside AAs

NTBC's level of qualified investments located outside its AAs has a positive impact on its performance. The investments consist of equity capital in three affordable housing limited partnerships that benefit properties located within the state of California, but outside of the bank's AAs. These types of equity capital investments are not routinely available from private investors.

Community Development Lending

Refer to Table 5a for the facts and data used to evaluate the bank's level of community development lending.

Table 5a: Community Development Lending Percentages

	Los Angeles County AA**	San Francisco/ Marin Counties AA**	Santa Barbara County AA**
Total CD Lending/ Average Tier 1 Capital*	153%	74%	75%
Total CD Lending/ Average Total Income*	90%	43%	44%
Total CD Lending/ Average Managed Assets*	1.34%	0.64%	0.66%

* Calculations reflect capital, income, and managed assets allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov.

** Community development loans included in the respective AA columns are located in the AA or in the broader statewide or regional area that includes the AA, and benefit the AA or have the potential to benefit the AA.

Los Angeles County AA

NTBC has a high level of community development loans that show an excellent responsiveness to credit and community development needs in the Los Angeles County AA. Community development loans originated and purchased within the AA total \$30 million. Approximately 35 percent and 8 percent of the loans, respectively, address the needs for homeless services and affordable housing, both of which are primary needs within the AA. Another 36 percent of the loans address the need for other community services, including health, child care, educational, and social services that benefit low- and moderate-income individuals. The remaining 21 percent address the needs for activities that promote economic development by financing small businesses and activities that revitalize and stabilize low- and moderate-income geographies.

NTBC makes use of innovative and complex community development loans in the Los Angeles County AA. The following are descriptions of the bank's complex and innovative loans:

- In a complex transaction, the bank provided extensive financial and technical assistance to a small business located in a redevelopment district within downtown Los Angeles. The bank helped the company restructure from a sole proprietorship to a corporate entity. As a result, the company's assets were consolidated into one corporation, which improved its capacity to attract financing. The bank also helped the company secure appropriate legal counsel to help guide the new corporate structure. Once restructured, the bank provided a \$500,000 line of credit to the company for purposes of working capital and business expansion, which, in turn, supports permanent jobs within the city's targeted redevelopment district.

- In an innovative transaction, the bank originated a \$150,000 unsecured line of credit to a nonprofit community development corporation for a pre-development fund. One of the leading nonprofit developers in the Los Angeles area, this organization provides affordable housing and other services for low-income single parents and their children. Despite its good reputation, the organization encountered difficulty accessing private capital on an unsecured basis. After several unsuccessful attempts with other lenders, the organization approached NTBC for a line of credit to initiate a series of new affordable housing projects that had potential for state tax credits. The bank worked with the organization to identify opportunities for collaboration. After the bank approved the line of credit, the organization was able to leverage its relationship with NTBC to secure an additional \$150,000 from another lender.
- In another transaction, the bank provided \$132,000 to refinance a mixed-use property in a redevelopment zone within San Pedro, a city in the South Bay of Los Angeles County. The property has two affordable housing units and a working studio in a community that has become part of a growing artist enclave. The loan was referred by and made in collaboration with Los Angeles Neighborhood Housing Services (LANHS), who financed an additional \$25,000 for rehabilitation of the property. LANHS had approached over 40 other lenders who were uninterested in the transaction due to lack of expertise in financing mixed-use property. Mixed-use development, in general, is very limited throughout California compared to other areas of the country. This transaction is innovative to this market given the lack of local expertise with this type of financing.

San Francisco/Marin Counties AA

NTBC has a high level of community development loans that show an excellent responsiveness to credit and community development needs in the San Francisco/Marin Counties AA. Community development loans originated and purchased within the AA total over \$13 million. Approximately 71 percent of the loans address the need for activities that revitalize and stabilize low- and moderate-income geographies. Another 18 percent address the need for activities that promote economic development by financing small businesses. Nearly 11 percent address the need for affordable housing, a primary need within the AA. None of the community development loans in the San Francisco/Marin Counties AA have innovative or complex characteristics.

Santa Barbara County AA

NTBC has a high level of community development loans that show an excellent responsiveness to credit and community development needs in the Santa Barbara County AA. Community development loans originated and purchased within the AA total nearly \$9 million. Approximately 67 percent of the loans address the need for activities that revitalize and stabilize low- and moderate-income geographies. Nearly 24 percent address the need for affordable housing, a primary need within the AA. The remaining 9 percent address the needs for community services for low- and moderate-income individuals and activities that promote economic development by financing small businesses. None of the community development loans in the Santa Barbara County AA have innovative or complex characteristics.

Community Development Services

Refer to Table 6a for the facts and data used to evaluate the bank's level of community development services.

Table 6a: Community Development Service Hours

	Los Angeles County AA*	San Francisco/ Marin Counties AA*	Santa Barbara County AA*
Leadership and technical assistance on financial matters to organizations, projects, and programs that provide community services to primarily low- and moderate-income individuals.	2,802	543	526
Leadership and technical assistance on financial matters to affordable housing organizations, projects, and programs.	512	39	295
Leadership and technical assistance on financial matters to organizations, projects, and programs that promote economic development by financing small businesses.	650	43	132
Total CD Service Hours	3,964	625	953

* Community development services included in the respective AA columns are located in the AA or in the broader statewide or regional area that includes the AA, and benefit the AA or have the potential to benefit the AA.

Los Angeles County AA

NTBC has a high level of community development services that show an excellent responsiveness to credit and community development needs in the Los Angeles County AA. Bank officers provide leadership and technical assistance on financial matters to community development organizations, projects, and programs, often serving as chairperson or other member of boards of directors and various committees. The services provided by the bank largely address the need for community services, including health, child care, educational, and social services that benefit low- and moderate-income individuals. Other services address the need for affordable housing and activities that promote economic development.

NTBC makes use of innovative and complex community development services in the Los Angeles County AA. The following are descriptions of the bank's complex and innovative services:

- The bank initiated an innovative, philanthropic-focused community development forum sponsored by the OCC, Federal Reserve Bank of San Francisco, and Southern California Association for Philanthropy (SCAP). The purpose of the forum was to facilitate partnerships between banks and local foundations in bridging funding gaps in affordable housing and economic development projects in the Los Angeles area. The bank's community investments officer approached the two regulatory agencies with the concept and spurred participation of SCAP. The bank officer also played a leadership role in the planning, design, and execution of

the program. The forum was the first of its kind in Los Angeles. As a result of its success, the Federal Reserve Bank of San Francisco plans to launch a statewide initiative to bring more banks and foundations together for collaboration and pooling of capital resources in order to spur additional community development.

- The bank's community investments officer serves as vice-chairman of the board of directors for an organization that promotes self-sufficiency for low-income families in the Watts neighborhood of South Central Los Angeles. The organization provides a number of affordable housing, economic development, and community services for families and individuals who come primarily from four local public housing developments. The bank officer was the primary architect of the organization's three-year strategic plan and has been a leader in moving the organization forward with its implementation. The work of this organization is particularly complex given the seismic nature of the demographic shifts and racial politics of South Central Los Angeles. The community development infrastructure that was once effective in serving this area has not adjusted to meet the needs of the current population base.

San Francisco/Marin Counties AA

NTBC has an adequate level of community development services that show an excellent responsiveness to credit and community development needs in the San Francisco/Marin Counties AA. Bank officers provide leadership and technical assistance on financial matters to community development organizations, projects, and programs, often serving as chairperson or other member of boards of directors and various committees. The services provided by the bank largely address the need for community services, including educational and social services that benefit low- and moderate-income individuals. Other services address the need for affordable housing and activities that promote economic development. None of the community development services in the San Francisco/Marin Counties AA have innovative or complex characteristics.

Santa Barbara County AA

NTBC has a high level of community development services that show an excellent responsiveness to credit and community development needs in the Santa Barbara County AA. Bank officers provide leadership and technical assistance on financial matters to community development organizations, projects, and programs, often serving as chairperson or other member of boards of directors and various committees. The services provided by the bank largely address the need for community services, including educational and social services that benefit low- and moderate-income individuals. Other services address the need for affordable housing and activities that promote economic development. None of the community development services in the Santa Barbara County AA have innovative or complex characteristics.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance in the San Diego County, Orange County, and Riverside County AAs is not inconsistent with the bank's overall "Outstanding" performance. Refer to Tables 4b, 5b, and 6b for the facts and data used to evaluate the bank's level of qualified investments, community development lending, and community development services in the limited-scope AAs.

Table 4b: Qualified Investment Percentages

	San Diego County AA	Orange County AA	Riverside County AA
Total Investments/ Average Tier 1 Capital*	66%	14%	14%
Total Investments/ Average Total Income*	39%	8%	8%
Total Investments/ Average Managed Assets*	0.58%	0.12%	0.12%

* Calculations reflect capital, income, and managed assets allocated by location of deposits.

Table 5b: Community Development Lending Percentages

	San Diego County AA	Orange County AA	Riverside County AA
Total CD Lending/ Average Tier 1 Capital*	19%	58%	21%
Total CD Lending/ Average Total Income*	11%	34%	12%
Total CD Lending/ Average Managed Assets*	0.17%	0.51%	0.18%

* Calculations reflect capital, income, and managed assets allocated by location of deposits.

Table 6b: Community Development Service Hours

	San Diego County AA	Orange County AA	Riverside County AA
Total CD Service Hours	724	857	251

Fair Lending Review

An analysis of the most recent public comments, consumer complaint information, and home mortgage and small business loan data was performed according to the OCC's risk-based fair lending approach. Our review did not identify any fair lending issues or concerns.

Definitions and Common Abbreviations

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

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

Assessment Area (AA) – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

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

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

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

Median Family Income (MFI) – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- Low Income – An income level that is less than 50 percent of the MFI.
- Moderate Income – An income level that is at least 50 percent and less than 80 percent of the MFI.
- Middle Income – An income level that is at least 80 percent and less than 120 percent of the MFI.
- Upper Income – An income level that is 120 percent or more of the MFI.

Managed Assets – Total managed assets as listed in the Consolidated Report of Condition and Income. Managed assets are assets held in fiduciary accounts over which the institution has investment discretion.

Metropolitan Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

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

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

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

Wholesale Institution – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.