

PUBLIC DISCLOSURE

November 15, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank
Charter Number 17129**

**401 West "A" Street
San Diego, California 92101**

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

NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

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

*This document is an evaluation of the CRA performance of **First National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 15, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

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

Affiliate - Any company that controls, is controlled by, or is under common control 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.

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

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

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

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

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

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

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

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

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

Limited-Scope 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, branch distribution).

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

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

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

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

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

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

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

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

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

Overall CRA Rating

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

The following table indicates the performance level of **First National Bank (FNB)** with respect to the lending, investment, and service tests:

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

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

The major factors that support this rating are:

- A good volume and excellent distribution of CRA reportable loan products, with delivery reflecting an excellent concentration within the assessment area.
- An excellent volume of community development loans that are targeted towards important needs in the assessment area.
- A good volume of investments, grants, and donations that meet a variety of needs.
- A satisfactory delivery system that the bank uses to distribute a good level of banking and community development services to the assessment areas.

Description of Institution

First National Bank is a business oriented intrastate bank with total assets of \$575 million as of September 30, 1999. FNB is headquartered in San Diego, California, and operates nine full service branch offices in San Diego County. The bank has loan production offices in Orange County, California, and Mexico City, Mexico. FNB is privately owned and does not have a holding company.

FNB began operation in 1981. It merged with the Bank of Southern California in October 1996. As of September 30, 1999, net loans totaled \$321 million and represented 56 percent of total assets. Non-farm non-residential real estate loans comprised the largest segment of the loan portfolio at 42 percent of average gross loans. Commercial and industrial loans represented 39 percent and construction and development loans represented 11 percent of average gross loans. Tier 1 capital totaled \$39.6 million.

FNB has identified one assessment area within San Diego County, based on the city boundaries for each branch office location and including some census tracts in adjoining city boundaries. See Appendix B for a detailed description of the bank's assessment area and market demographics. All branch offices but two offer 24-hour banking services through onsite automated teller machines (ATMs). With the exception of the ATM outside the main office, all ATMs accept deposits and dispense cash. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB's lending strategy focuses primarily on commercial, commercial real estate, international, and small business lending. The bank offers a wide variety of credit products and services that include trade finance, foreign exchange, foreign drafts, cash management, telephone banking, and personal computer banking. FNB also provides trust, financial, and mortgages broker services. The bank provides consumer loans primarily as an accommodation to the owners and employees of its business customers. FNB does not actively market its consumer loans.

FNB operates in a highly competitive banking environment. There are more than 60 other financial institutions in San Diego County with competition consisting primarily of six large banks, a finance company, and two large brokerage houses.

FNB was rated "Satisfactory" at its last CRA examination, dated December 5, 1997.

The assessment period for this evaluation is from December 5, 1997 to the current evaluation date. The bank has no current legal, financial, or other factors impeding its ability to help meet the credit needs in its assessment area.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation presents information on FNB's residential mortgage and small business loan originations from January 1, 1998 through September 30, 1999. We based our conclusions of the lending test primarily on small business lending because that is the bank's main lending product. We evaluated the bank's community development loan performance since the previous examination (December 5, 1997).

Unless otherwise stated, references to loans means exclusively these three types of loans. In addition to these loan products, we reviewed FNB's retail banking services and community development investments and services from the previous examination through November 15, 1999.

Data Integrity

We reviewed a sample of small business loans, community development investments, and community development services to determine the integrity of the data used in the analysis. We found the data to be substantially correct and sufficient to assess the bank's performance during the evaluation period.

Selection of Areas for Full-Scope Review

FNB has one assessment area that consists of a contiguous area of 367 whole census tracts within San Diego County. We performed a full-scope review of this assessment area. Refer to the table in Appendix A for more information.

Ratings

The bank's overall rating is based entirely on the review of its single assessment area.

Other

As part of our review, we considered information obtained from FNB and from community contacts. We reviewed recent interviews with representatives from five organizations whose focus is on community development as defined in the regulation. The information obtained from these interviews confirmed the bank's analysis of the credit needs in its assessment area. The bank's analysis states that affordable housing loans and small business lending, including working capital loans for new businesses and micro business loans, are the primary credit needs in the area.

Fair Lending Review

In conjunction with this CRA examination, we performed a fair lending examination of the bank. FNB did not have sufficient consumer loan activity for a comparative file review of either approve/deny decisions or rates/terms/conditions. Therefore, we reviewed the bank's loan policies and selected a sample of 10 diverse applications to determine that applicants are treated as explicitly required by Regulation B. Based on the findings of this review:

- FNB complies with Regulation B and fair lending laws.
- We found no evidence of disparate treatment being applied on a prohibited basis; no violations of fair lending laws were cited.
- FNB has a good process in place to help ensure ongoing compliance with fair lending laws.

Conclusions with Respect to Performance Tests

LENDING TEST

Lending test performance is rated outstanding. This is based upon:

- A good volume of CRA reportable lending activity.
- Excellent geographic distribution of small business loans to both low- and moderate-income geographies.
- An adequate distribution of commercial loans to small businesses.
- An excellent concentration of CRA reportable loans within FNB's assessment area.
- An excellent volume of community development loans that are targeted towards important needs in the assessment area.

Lending Activity

Refer to Tables 1 through 11 in Appendix C for the data used in this analysis.

Our evaluation of FNB's lending activity focused on its small business and community development lending because this is the bank's primary market niche. As Table 1 shows, the bank made a low volume of reportable home mortgage loans during the evaluation period, and most of those were for multi-family units.

Many of the units consist of affordable housing and were also reported as community development loans. Otherwise, FNB only made home mortgage loans as accommodations for the bank's business loan customers. Therefore, home mortgage loans for single-family residences do not factor into this evaluation.

FNB is not an agricultural lender, having made a nominal amount of reportable small farm loans during the evaluation period.

FNB generated a good volume of reportable lending activity. The bank originated 248 reportable small business, small farm, home mortgage, and community development loans in the assessment area during the evaluation period. Focusing on small business loans, FNB's market rank in 1998 for this assessment area was 21 out of 148 reporting lenders by number of loans made. This rank is distorted downwards by the presence of several large credit card lenders that make loans in San Diego County but do not take deposits from the area. Considering that factor, the bank's market rank for small business loans is reasonably close to its market rank of 12 for dollar volume of deposits in San Diego County as of June 30, 1998. Further, since the bank's average loan size is large, comparing FNB's market share by dollar volume of small business loans to its market share by dollar volume of deposits shows a more accurate picture of the bank's

reportable lending activity in relation to the bank's size and capacity. FNB's market share by dollar volume of small business loans is 2.53 percent, while FNB's market share by dollar volume of deposits is 1.6 percent. In addition, FNB made a high number and dollar volume of community development loans, which significantly enhances its lending activity.

Small Business Loans

Since small business lending is an identified need in this assessment area, FNB's good performance in this product line carries significant weight. In this assessment area five large financial service providers dominated small business loan activity by number of loans made. FNB was not in that group. Together, the five dominant lenders held over 68 percent of the market share in 1998. Performance expectations for FNB's small business lending activity should be framed in this context.

Distribution of Loans by Income Level of the Geography

Refer to Table 5 in Appendix C for the facts and data used to evaluate the distribution of loans by income level of the geography.

The geographic distribution of small business loans is excellent. This conclusion is supported by FNB's success in generating a pattern of loan activity that is close to or exceeds the demographic distribution of businesses in both low- and moderate-income geographies. The percentage of small business loans that were made to borrowers in low-income geographies is higher than the percentage of businesses in the assessment area that are located in those geographies. And in moderate-income geographies, the percentage of the bank's loans made to businesses is very close to the percentage of businesses located in those geographies. This indicates that FNB was successful in distributing its small business loans in close proportion to the distribution of businesses located in both low- and moderate-income geographies.

Market share analysis of small business loans supports the conclusion of excellent geographic distribution. FNB's market share of small business loans to borrowers in both low- and moderate-income geographies is higher than its overall market share of small business loans in the entire assessment area. This indicates that within the context of its competitive environment, FNB did well by increasing its market share while making small business loans to borrowers in both low- and moderate-income areas. FNB's market share performance is considered excellent.

An analysis of FNB's small business lending activity for conspicuous gaps is problematical when comparing the 202 loans made by the bank to the 367 census tracts in the assessment area. FNB's small business loans penetrated 24 percent of the low-income tracts, 19 percent of the moderate-income tracts, 16 percent of the middle-income tracts, and 31 percent of the upper-income tracts. Our distribution analysis did not identify any pattern of lending that excluded low- and moderate-income segments of the delineated community. Overall, the bank successfully distributed its small business loan products to the economically disadvantaged geographies most in need of the stabilizing and revitalizing effects of small business lending.

Distribution of Loans by Income Level of the Borrower

Refer to Table 10 in Appendix C for the facts and data used to evaluate the distribution of loans by income level of the borrower.

The distribution of small business loans by size of business demonstrates an adequate level of responsiveness to the credit needs of small businesses. FNB's percentage of small business loans made to businesses with revenues of \$1 million or less is below, but close to, the aggregate percentage for all other reporting lenders in the assessment area. The bank's lending activity fell well below the demographic for that size of business in the assessment area. However, by performing close to the aggregate percentage attained by all other reporting lenders, FNB demonstrated an adequate focus on lending to small businesses.

FNB's market share of small business loans made to firms with revenues of \$1 million or less is lower than, but reasonably close to, its overall market share for all small business loans. This is another indication that the bank's level of effort towards satisfying the credit needs of small businesses is adequate.

Only one-third of FNB's small business loans was in amounts of \$100,000 or less. While loan size is the least reliable indicator of a bank's success in lending to small businesses, this is a low percentage of loans in the smallest loan size category.

Small Business Loans With a Community Development Focus

FNB made two loans, less than \$1 million in size and reported as small business loans, under the Small Business Administration (SBA) 504 Certified Development Company program. The loans financed commercial properties that house businesses in low- or moderate-income geographies and that provide jobs in those areas.

Product Innovation and Flexibility

FNB offers a standard menu of consumer and mortgage loan products as an accommodation to its business customers, and it offers a wide array of commercial loan products, including export/import financing and SBA loans. Certain commercial loan products are designed to encourage banks to lend to small businesses that otherwise might not be bankable credit risks; however, the bank's loans using these products have not been to businesses predominantly located in low- to moderate-income geographies.

Community Development Lending

FNB made an excellent volume of community development loans during this evaluation period. Total community development loans equaled 38 percent of Tier 1 capital. This is considered a high enough volume to raise FNB's overall lending performance rating.

Eight of the bank's community development loans provided construction financing, or acquisition and rehabilitation financing, for multi-family affordable housing projects. More than 197 units, most located in low-income census tracts, were started, built, or improved as a result of these loans. One of the projects participates in the Department of Housing and Urban Development Section 8 Subsidized Housing program; all of the projects charge rents that are well below the average for San Diego County. By supplying credit for affordable housing, FNB met one of the most important credit needs in its assessment area.

Six of the community development loans provided inventory, working capital, or fixed asset financing to borrowers located in enterprise zones in the bank's assessment area. Most of the borrowers are located in low-income census tracts. One of the loans was made under the SBA 504 Certified Development Company program to fund commercial property that will house a business that will create jobs in that area. The loans were not reportable as small business loans. By financing the operation, expansion, or creation of businesses, these loans helped create or retain jobs and stabilize or revitalize poor neighborhoods in the bank's assessment area.

Lending Inside Versus Outside of the Assessment Area

Most of the CRA reportable loans made by FNB were made in its assessment area. Fully 89 percent of the small business loans and all of the community development loans were to borrowers located in the bank's assessment area. This demonstrates an excellent focus on serving the credit needs of the assessment area.

INVESTMENT TEST

FNB's performance under the investment test is rated high satisfactory. Based on a full-scope review, the bank's performance in the assessment area is good.

- FNB has a good level of qualified community development investments and grants.
- FNB's investments and grants are responsive to credit and community development needs.

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

The bank has a good level of qualified investments, considering there are only moderate opportunities for banks its size in the assessment area. The bank competes with several large financial institutions and a relatively large number of other financial institutions and entities for community development investments. FNB's size and capacity limits its community development investment opportunities when competing for investment opportunities with larger institutions. In addition, FNB targets its community development

investments to identified community development needs in its assessment area, such as affordable housing, as well as to its business focus, such as community development organizations whose purpose is to promote small business financing.

The bank's responsiveness to credit and community development needs is good. The bank has exhibited a good level of responsiveness to the identified needs of the low- and moderate- income population and geographies within the assessment area through community development investments and grants. During the evaluation period, the bank made \$2.3 million in qualified investments, and has \$387,000 outstanding from the prior evaluation period. The bank's total qualified investments represent 6.9 percent of Tier 1 capital. More than 95 percent of these investments were targeted for affordable housing, which is one of the principal credit needs in the assessment area. FNB is primarily a commercial lender and its business focus does not routinely address credit needs for affordable housing. Consequently, these investments have helped the bank to better serve the assessment area's affordable housing needs. These investments include:

- A \$2.3 million mortgage-backed security. This security consisted of recently underwritten home mortgage loans to low- and moderate-income borrowers. More than 83 percent of the underlying mortgages' dollar amount went to borrowers within FNB's assessment area, with the remaining portion to borrowers just outside the assessment area.
- A \$25,000 equity investment in a local community development corporation bank. FNB made the investment just prior to this evaluation period, and it remains outstanding. The corporation's primary purpose is to promote economic development and affordable housing within the assessment area.
- A \$62,224 investment in a multi-bank, small business community development corporation whose goal is to provide business financing in San Diego County, particularly those located in low- and moderate-income census tracts and designated enterprise zones. FNB invested \$13,969 during this evaluation period and had \$48,255 outstanding from an investment made during the period prior to this evaluation.
- A \$242,761 investment in a community reinvestment corporation that is made up of a consortium of California banks that help fund affordable housing projects throughout California including the assessment area. This investment remains from the prior evaluation period.
- Grants and donations to 24 organizations totaling \$41,358. The funds were primarily used to provide support for facilities that promote educational, health, and social services to low- and moderate-income families, and economic development by supporting small business and micro lending programs.

SERVICE TEST

The bank's performance under the service test is rated high satisfactory. Based on full-scope reviews, the bank's performance in the San Diego MSA is good.

- FNB provides banking services that are readily accessible to geographies and individuals of different income levels in its assessment area, including low- and moderate-income geographies and individuals.
- FNB opened two branches and purchased two additional branches during the evaluation period. This improved the accessibility of the bank's delivery systems, particularly to low- and moderate-income individuals.
- FNB provides a good level and wide variety of community development services that are highly responsive to the identified needs in the assessment area.

Retail Banking Services

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

The quantity, quality, and locations of the bank's service delivery systems allow for ready access to bank products and services by geographies and individuals of varying income levels in the bank's assessment areas. FNB has more than 40 percent of its branches in low- and moderate-income geographies. The bank provides a wide array of products and services through its branch locations and ATM network. FNB's branch distribution is excellent when compared to the percentages of the population located in the same geographies, particularly in low-income tracts.

Since the previous evaluation ended December 5, 1997, FNB opened two new branches and purchased an additional two branch offices in the San Diego assessment area. FNB improved the accessibility of the bank's delivery systems to individuals in low- and moderate-income census tracts as two of the new offices are in moderate-income geographies and one is in a low-income geography. FNB did not close any branches during this evaluation period.

The bank offers a variety of lending, cash management, investment, trust, foreign exchange, and deposit services. The bank emphasizes business lending, including SBA loans. It also offers residential mortgage loans, commercial mortgage loans, construction loans and several consumer loan products, primarily as accommodations to the owners and employees of the bank's business customers. The bank has products and services for international banking needs.

The bank offers a variety of deposit accounts including checking, NOW, money market, savings, time certificates of deposit, and IRA accounts. Similar services and products are available at all branch locations.

Community Development Services

FNB provides a good level and wide variety of community development services that are highly responsive to identified needs in the assessment area. Numerous employees work with community groups, business organizations, and governmental units to provide community development services. The bank involves itself with organizations that provide a variety of services for affordable housing, community services targeted to low- and moderate-income individuals, revitalization and stabilization of low- and moderate-income geographies, and organizations that provide economic development by financing small businesses. Examples of FNB's community development services categorized by type of community development service include:

- **Affordable Housing for Low- or Moderate-Income Individuals.** FNB actively works with local housing authorities in educating first time homebuyers. The bank hosted or participated in affordable housing seminars in cooperation with the Federal Reserve Bank of San Francisco and housing organizations. A bank employee conducts home loan counseling seminars for a home loan counseling service. In addition, a bank officer serves as an advisor to an organization that provides funding to nonprofit developers of subsidized housing. The officer attends regular meetings, provides financial analysis of applicant's ability to repay, and advises the organization on loan structuring.
- **Community Services Targeted to Low- or Moderate-Income Individuals.** A bank employee volunteers one day each month as a counselor for an organization that provides credit counseling. The office is located in a low-income area, and the vast majority of the bank employee's clients are low- or moderate-income individuals. A bank employee is on the board of directors of an organization that provides childcare programs targeted to low- and moderate-income children. The employee provides financial expertise on negotiating leases, obtaining and financing equipment, and financing the organization's programs. In addition, FNB's trust department donated its services to administer a trust for a low-income individual for the purposes of education.
- **Promotion of Economic Development by Financing Small Businesses or Farms.** FNB participates in several organizations that provide loans to small businesses. A bank employee is an advisory board member of an organization that provides micro loans and technical assistance designed to educate and assist business owners in the loan application process. A bank employee serves as a loan committee member for a small business development corporation. This organization provides loans between \$5,000 and \$50,000 to small businesses and low- and moderate-income individuals. FNB refers its declined small business loan applicants to these organizations to determine if a non-traditional lender can fulfill the applicant's credit need. A bank employee serves on the loan committee of another small business development corporation and is a credit counselor for a government agency lender outreach program. The bank has hosted seminars and provided speakers for programs to provide financial training to small businesses. FNB arranged loan participations with a local community development bank to help meet that institution's need for loan demand and overline outlets until it grows to a more self-sufficient size.

- **Revitalization and Stabilization of Low- or Moderate-Income Geographies.** A bank employee works with a non-profit community development organization whose major emphasis is to help stabilize and revitalize the downtown area and generate new jobs. The organization works on a variety of projects, including redevelopment projects, to bring business leaders and community groups together to work towards improving the area. This area includes the Barrio Logan Enterprise Zone. A bank employee works with the organization to have new businesses relocate to the downtown area. The employee counsels businesses on the financial benefits of relocating downtown and is a resource to explain the financial services available, including both credit and deposit products. Organization members include government agencies, large and small businesses, unions, civic organizations, and educational institutions.

In addition to the above activities, a bank officer serves as a community advisory board member and sits on the executive committee of a state community development program. The program provides technical training to teach people about the administrative aspects of establishing and running a nonprofit organization focusing on community development activities.

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 nonmetropolitan areas that received comprehensive examination review (designated by the term **A**Full-Scope[®]) and those that received a less comprehensive review (designated by the term **A**Limited-Scope[®]).

Time Period Reviewed	Lending Test: January 1, 1998 to September 30, 1999 Investment Test: December 5, 1997 to November 15, 1999 Service Test: December 5, 1997 to November 15, 1999	
Financial Institution	Products Reviewed	
First National Bank (FNB) San Diego, California	Small Business and Residential Loans, Investments	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
San Diego Assessment Area	Full-Scope	

Appendix B: Market Profile

San Diego Assessment Area

Market Profile

Demographic Information for the Area: San Diego AA		Evaluation Period: 10/01/1997 TO 09/30/1999									
Demographic Characteristic	Total	Low Income Tracts		Mod Income Tracts		Middle Income Tracts		Upper Income Tracts		NA Income Tracts	
	#	%	#	%	#	%	#	%	#	%	#
Geographies (Census Tracts/BNAs)	367	6.81	25	21.80	80	42.78	157	25.34	93	3.27	12
Population by Geography	2,008,698	7.59	152,435	22.37	449,287	43.38	871,454	25.27	507,637	1.39	27,885
Owner-Occupied Housing by Geography	378,196	2.33	8,798	13.21	49,951	48.29	182,630	36.16	136,765	0.01	52
Business by Geography	83,699	4.03	3,375	23.89	19,999	43.18	36,142	28.66	23,987	0.23	196
Farms by Geography	1,293	1.47	19	15.55	201	48.88	632	34.11	441	0.00	0
Family Distribution by Income Level	482,648	20.37	98,303	18.64	89,979	22.07	106,510	38.92	187,856	0.00	0
Distribution of Low and Moderate Income Families throughout AA Geographies	188,282	13.09	24,646	33.45	62,984	41.26	77,689	12.20	22,963	0.00	0
Median Family Income	39,798	Median Housing Value Unemployment Rate		186,159							
HUD Adjusted Median Family Income for 1999	52,500			3.83%							
Households Below Poverty Level	9.26%										

Source: 1990 US Census and HUD updated MFI.

FNB's assessment area includes the vast majority of the population of the San Diego County MSA. The assessment area is based on the city boundaries for each branch location and includes census tracts in the adjoining city boundaries. It includes the incorporated cities of San Diego, Lemon Grove, National City, Chula Vista, Del Mar, La Mesa, Imperial Beach, Coronado, El Cajon, Santee, Poway, Encinitas, Carlsbad, San Marcos, and Solana Beach. It also contains the unincorporated communities of Spring Valley, Bonita, Casa de Oro, Mount Helix, Rancho San Diego, Granite Hills, Bostonia, Lakeside, and other unincorporated areas of San Diego County. In addition, the assessment area includes both of the San Diego County enterprise zones, Barrio Logan and San Ysidro/Otay Mesa. The bank's assessment area complies with the regulation and does not arbitrarily exclude low- or moderate-income areas.

According to the 1990 census, the 367 census tracts that comprise the assessment area have a population of two million people. The population has grown and is now approximately 2.8 million people. San Diego County ranks sixteenth in population of all metropolitan areas in the United States. The 1990 U.S. Census MSA median family income is \$39,798 and the median housing value is \$186,159. The Department of Housing and Urban Development estimated the 1999 median family income for this area at \$52,500. Of the 367 census tracts, 25 are low-income, 80 are moderate-income, 157 are middle-income, and 93 are upper-income.

The local economy is strong and growing. San Diego's economy, which in the past relied on federal defense spending, is now based on international trade, high tech manufacturing, professional services, and tourism. According to the American Chamber of Commerce Researchers Association San Diego's cost of living is about 28 percent above the national average. The unemployment rate in San Diego County was 3.8 percent in 1999.

Through our contact with bank management and local community development groups, the primary credit needs of the community are affordable housing, loans to small businesses (including micro loans), and various consumer loans.

FNB identifies its major competitors as financial institutions in San Diego County that have a strong business focus. These institutions are Union Bank of California, Wells Fargo Bank, California Bank and Trust, Peninsula Bank, Scripps Bank, The Money Store, and Bank of Commerce. In addition, large brokerage houses effectively compete with local financial institutions for deposits.

Appendix C: Standard Tables

Content of Standard Tables

A separate set of tables is provided for each state and multistate metropolitan area. The tables cover the entire CRA evaluation period. 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; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations**
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations**
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (<\$1 million) to businesses originated by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (<\$500,000) to farms originated by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the

percentage distribution of the number of loans originated by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations

Table 9. Borrower Distribution of HMDA Refinance Loan Originations

Table 10. Borrower Distribution of Small Business Loan Originations - Compares the percentage distribution of the number of small loans (<\$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 11. Borrower Distribution of Small Farm Loan Originations - Compares the percentage distribution of the number of small loans (<\$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.

Table 13. Distribution of Branch and ATM Delivery System - Compares the percentage distribution of the number of the banks retail branches and ATMs in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography.

Table 1. Lending Volume

LENDING VOLUME												Evaluation Period: 01/01/1998 TO 09/30/1999											
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development**		Total Reported Loans		% of Rating Area Loans in AA (% of #)											
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)												
Full Scope																							
San Diego AA	100.00	27	22,570	202	58,761	4	537	0	15,026	248	96,894	100.00											

* Deposit Data as of June 30, 1999.

** CD Loans are for the period 10/01/97 to 09/30/99.

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Up	#	% of Total**
Full Scope																
FNB San Diego	2.00	50.00	13.00	0.00	48.00	25.00	36.00	25.00	371	0.00	0.00	0.00	0.00	0.0	4	100.00

* Based on 1997 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Home purchase loans within an MSA/AA as a % of all home purchase loans in the rating area.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Improvement Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Up	#	% of Total**
Full Scope																
San Diego AA	2.00	0.00	13.00	0.00	48.00	0.00	36.00	100.00	114	0.00	0.00	0.20	0.00	0.10	5	100.00

* Based on 1997 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Up	#	% of Total**
Full Scope																
San Diego AA	2.00	100.00	13.00	0.00	48.00	0.00	36.00	0.00	0	0.00	0.00	0.00	0.00	0.00	2	100.00

* Based on 1997 Aggregate HMDA Data only. Market rank is for all income categories combined.

** Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Up	#	% of Total**
Full Scope																
San Diego AA	4.00	5.00	24.00	22.00	43.00	32.00	29.00	41.00	21	0.40	0.50	0.50	0.30	0.40	202	100.00

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

** Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Loans Small Farm Loans	
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Up	#	% of Total**
Full Scope																
San Diego AA	1.00	0.00	16.00	0.00	49.00	0.00	34.00	100.00	5	5.40	0.00	0.00	0.00	14.30	4	100.00

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

** Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Up	#	% of Total
Full Scope																
San Diego AA	20.00	0.00	19.00	0.00	22.00	0.00	39.00	100.00	371	0.00	0.00	0.00	0.00	0.00	4	100.00

* Based on 1997 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available. Income information was available for all loans.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*					Total Home Improvement Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Up	#	% of Total
Full Scope																
San Diego AA	20.00	20.00	19.00	20.00	22.00	20.00	39.00	20.00	114	0.00	0.00	0.20	0.10	0.00	5	100.00

* Based on 1997 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available. Income information was available for all loans.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1998 TO 09/30/1999						
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*					Total Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Up	#	% of Total
Full Scope																
San Diego AA	20.00	0.00	19.00	0.00	22.00	0.00	39.00	0.00	0	0.00	0.00	0.00	0.0	0.00	2	100.00

* Based on 1997 Aggregate HMDA Data only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available. Income information was available for all loans.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS			Evaluation Period: 01/01/1998 TO 09/30/1999								
MSA/Assessment Area	Businesses With Revenues of \$1 million or less			% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*		Total Small Business Loans		
	% of Businesses**	% Bank Loans***	% Market Loans*	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Revenues \$ 1 Million or Less	#	% of Total	Avg Loan Size
Full Scope											
San Diego AA	73.15	43.88	48.18	33.66	28.22	38.12	0.41	0.36	202	100.00	291

* As a percentage of businesses with known revenues.

** As a percentage of loans with revenue information available. No information was available for 3% of loans originated by FNB San Diego.

*** The market consists of all other Small Business reporters in FNB's assessment area and is based on 1998 Aggregate Small Business Data only.

**** Based on 1998 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM				Evaluation Period: 01/01/1998 TO 09/30/1999							
MSA/Assessment Area	Farms With Revenues of \$ 1million or less			% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans		
	% of Farm**	% Bank Loans***	% Market Loans*	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Revenues \$ 1 Million or Less	#	% of Total	Avg Loan Size
Full Scope											
San Diego AA	86.62	100.00	37.84	75.00	0.00	25.00	5.41	12.50	4	100.00	13

* As a percentage of farms with known revenues.

** As a percentage of loans with revenue information available. No information was available for 0% of loans originated by FNB San Diego.

*** The market consists of all other Small Farm loan reporters in FNB's assessment area and is based on 1998 Aggregate Small Farm Data only.

**** Based on 1998 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS			Evaluation Period: 10/01/1997 TO 09/30/1999						
MSA/Assessment Area	Prior Period Investments*			Current Period Investments			Total Investment		
	#	\$ (000's)	%	#	\$ (000's)	%	#	\$ (000's)	% of Total
Full Scope									
San Diego AA	3	387	14.19	26	2,340	85.81	29	2,727	100.00

* Prior Period Investments means investments made in previous evaluation period that remain outstanding as of the examination date.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM										Evaluation Period: 10/01/1997 TO 09/30/1999							
MSA/Assessment Area	Deposits	Branches						ATMs				Population					
	% of Rating Area Deposits in AA	# of Bank Branches	% of Rating Area Branches in AA	% Distribution of Branches by Income Level of Geography				# of Bank ATMs	% of Total Bank ATMs in AA	% Distribution of ATMs by Income Level of Geography				% of Population with Each Geography			
				Low	Mod	Mid	Up			Low	Mod	Mid	Up	Low	Mod	Mid	Up
Full Scope																	
San Diego AA	100.00	9	100.00	11.11	33.33	11.11	44.44	7	100.00	14.29	28.57	14.29	42.86	7.59	22.37	43.38	25.27