PUBLIC DISCLOSURE

February 26, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

San Diego Private Bank
Certificate Number: 58291

9404 Genesee Avenue, Suite 100
La Jolla, California 92037

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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.

TABLE OF CONTENTS

INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Satisfactory.** An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

San Diego Private Bank's (SDPB's) satisfactory CRA performance under the Lending Test and Community Development (CD) Test supports the overall rating. Examiners did not identify any evidence of discriminatory or illegal credit practices. The following points summarize the bank's Lending Test and CD Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The institution originated or purchased a substantial majority of its small business and multi-family loans within its AAs.
- The geographic distribution of small business loans and multi-family loans reflects reasonable dispersion throughout its AAs.
- The distribution of borrowers reflects poor penetration of loans among businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The CD Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the CD needs of its AAs through CD loans, qualified investments, and CD services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for CD within the AAs.

SCOPE OF EVALUATION

General Information
This evaluation covers the period from the prior evaluation dated October 3, 2016, to the current evaluation dated February 26, 2018. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate SDPB's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the CD Test.

The Lending Test considered the institution's performance according to the following criteria:

- LTD ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The CD Test considered the following factors:

- Number and dollar amount of CD loans, qualified investments, and CD services
- The responsiveness of such activities to the CD needs of the AA.

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

The San Diego AA will be reviewed under the full scope examination procedures given that SDPB is headquartered in San Diego and a majority of its lending and branches are located in this AA. In addition, SDPB's Los Angeles AA was not reviewed using the full scope examination procedures in the last examination. In an effort to ensure that an institution's CRA performance in this infrequently reviewed AA is regularly evaluated, the Los Angeles AA was selected to be reviewed under the full scope examination procedures during this evaluation.

Loan Products Reviewed
Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners determined that the bank's major product lines are small business loans and multi-family loans. This conclusion was based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank's record of originating or purchasing small business loans contributed more weight to the overall conclusions due to the significantly larger loan volume when compared to multi-family lending during the most recent calendar year.

The following table shows the bank's originations and purchases over the most recent calendar year by loan type:

Loans Originated or Purchased (2017)				
Loan Category	**#**	**%**	**(000s)**	**%**
Construction and Land Development	5	3.1	15,886	6.7
Secured by Farmland	0	0.0	0	0.0
1-4 Family Residential	18	11.2	23,023	9.7
Multifamily Residential	16	9.9	17,468	7.4
Commercial Real Estate	39	24.2	77,674	32.8
Total Real Estate Loans	**78**	**48.4**	**134,051**	**56.6**
Commercial & Industrial	66	41.0	99,055	41.8
Agricultural	0	0.0	0	0.0
Consumer	8	5.0	2,305	1.0
Other	9	5.6	1,555	0.7
Gross Loans	**161**	100.0	**236,966**	100.0
Source: Bank Records 01/01/2017 through 12/31/2017 *Due to rounding, percentages may not total 100.0 percent*				

According to the December 31, 2017 Consolidated Reports of Condition and Income (Call Report), commercial loans equal 73.5 percent of the loan portfolio, multi-family residential property totaled 11.4 percent, and loans secured by 1 to 4 family residential property totaled 9.7 percent. The bank originated or purchased 21 loans secured by 1 to 4 residential property during the evaluation period totaling $25.4 million. However, the bank discontinued offering residential mortgage loans in 2013, and new 1 to 4 family mortgage loans are only made to existing customers on an accommodation basis. All 1 to 4 family mortgage loans originated in the evaluation period were business-purpose loans secured by non-owner-occupied property. The bank does not market or promote 1 to 4 residential mortgage loans. As a result of these factors, examiners did not consider loans secured by 1 to 4 family residential property as a major product line. In addition, the bank originated or purchased a nominal amount of consumer loans and no small farm loans during the evaluation period. As such, loans secured by 1 to 4 family residential property, small farm loans, and consumer loans provided no material support for conclusions or ratings and are not presented in this evaluation.

Examiners selected a sample of small business loans originated in the period from January 1, 2017 to December 31, 2017. The sample was considered representative of the bank's performance during the entire evaluation period. The bank originated 96 small business loans totaling $45.2 million in 2017, of which 50 loans totaling $26.6 million were sampled.

In addition, this evaluation considered all multifamily loans originated or purchased in the period from January 1, 2017 to December 31, 2017. In 2017, SDPB originated or purchased 16 multi-family loans totaling $17.5 million.

Throughout this evaluation, the bank's small business and multi-family lending performance is compared to 2015 American Community Survey (ACS) data and 2017 D&B business demographic data. The 2017 D&B data provided a standard of comparison for the sampled small business loans. Examiners also considered records and reports provided by the institution, publicly available loan and financial information, and other information gathered as part of the evaluation process, including community contacts.

For the Lending Test, examiners reviewed the number and dollar volume of small business and multi-family loans. While number and dollar volume are both presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served. An analysis of loans by dollar volume is not significantly different from the analysis by number of loans.

For the CD Test, bank management provided data on CD loans, qualified investments, and CD services since the prior CRA Evaluation dated October 3, 2016. The bank had no qualified investments from a prior period with outstanding balances at the time of this evaluation. CD loans, qualified investments, and CD services were evaluated quantitatively based on the financial capacity of SDPB and qualitatively based upon the impact to the AAs.

DESCRIPTION OF INSTITUTION

Background

SDPB is a California-chartered commercial bank headquartered in Coronado, California. The bank operates in the southern part of California in the contiguous San Diego, Orange, and Los Angeles Counties. SDPB is a wholly-owned subsidiary of Private Bancorp of America, Inc., a one-bank holding company headquartered in La Jolla, California. The bank's Coronado, Newport Beach, and Beverly Hills offices operate as Coronado Private Bank, Newport Private Bank, and CalPrivate Bank, respectively. The institution received a "Satisfactory" rating at its previous CRA Performance Evaluation, dated October 3, 2016, based on Interagency Intermediate Small Bank Procedures.

Operations

SDPB operates five full-service branches in southern California. Three branches are located in the San Diego AA in upper-income census tracts (CTs) in the cities of Coronado, San Diego, and La Jolla. The other two branches are located in the Los Angeles AA: one in a middle-income CT in Newport Beach and one in an upper-income CT in Beverly Hills. The bank also operates a loan production office in a moderate-income CT in San Marcos, California, in the San Diego AA.

In May 2017, SDPB closed a branch in an upper-income CT in Irvine, California, and opened the current Newport Beach branch approximately one mile away. In July 2017, SDPB opened the branch in Beverly Hills.

SDPB's primarily serves high-net worth individuals and businesses with complex financial needs by offering a variety of private and commercial banking products. The bank offers numerous commercial loan products, including commercial real estate loans, construction and development loans, equipment loans, and commercial lines and letters of credit. The bank also offers loans guaranteed by the Small Business Administration (SBA), including loans in the SBA's 7(a) and 504 loan programs. SDPB offers various deposit products for both businesses and consumers, including checking accounts, savings accounts, money market accounts, and time deposit accounts. Other banking products offered by the bank include ATM/debit cards, credit cards, individual retirement accounts (IRAs), treasury management, merchant services, and safe deposit boxes. Alternate delivery systems offered by SDPB include internet banking, online bill pay, a mobile application, remote deposit capture, and night depositories.

Ability and Capacity

Assets totaled approximately $671.2 million as of December 31, 2017, and included total loans of $497.1 million and securities of $61.6 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of December 31, 2017		
Loan Category	**$(000s)**	**%**
Construction and Land Development	24,679	5.0
Secured by Farmland	665	0.1
1-4 Family Residential	48,362	9.7
Multifamily Residential	56,500	11.4
Commercial Real Estate	251,868	50.7
Total Real Estate Loans	**382,074**	**76.9**
Commercial and Industrial	113,344	22.8
Agricultural	0	0.0
Consumer	1,734	0.3
Other	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**497,152**	**100.0**
Source: 12/31/2017 Call Report		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its AAs.

DESCRIPTION OF THE COMBINED ASSESSMENT AREA

CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. SDPB's combined AA (CAA) is comprised of two individual AAs: the San Diego AA and the Los Angeles AA. The AAs are contiguous and consist of three counties in southern California. Individual AAs are described below:

- **San Diego AA** – The San Diego AA comprises San Diego County, which constitutes the San Diego-Carlsbad-San Marcos, California, Metropolitan Statistical Area (MSA) #41740.

- **Los Angeles AA** – The Los Angeles AA comprises Los Angeles and Orange Counties. These counties are contiguous and together constitute the Los Angeles-Long Beach-Anaheim, California, MSA #31080. The MSA includes the Los Angeles-Long Beach-Glendale, California, Metropolitan Division (MD) #31084 and the Anaheim-Santa Ana-Irvine, California MD #11244.

The following table details the counties, number of CTs, and distribution of branch offices among the bank's two individual AAs:

Description of Assessment Areas			
Assessment Area	**Counties in Assessment Area**	**# of CTs**	**# of Branches**
San Diego AA	San Diego	628	3
Los Angeles AA	Los Angeles and Orange	2,929	2
Source: 2015 ACS Census & Bank Data			

Together, the San Diego AA and the Los Angeles AA compose the SDPB's CAA, which has not changed since the previous evaluation. The CAA complies with the technical requirements of CRA, does not arbitrarily exclude any LMI neighborhoods or individuals, and does not reflect any illegal discrimination.

Economic and Demographic Data
Based on 2015 ACS data, SDPB's CAA consists of 3,557 CTs. These CTs reflect the following income designations:

- 327 low-income CTs,
- 963 moderate income CTs,
- 964 middle-income CTs,
- 1,242 upper-income CTs, and
- 61 CTs with no income designation.

LMI CTs account for 9.2 percent and 27.1 percent, respectively, of the number of CTs in the CAA. According to 2015 ACS data, the population of the CAA was 16.4 million. The following table provides a summary of demographic, housing and business information within the bank's CAA. Refer to the individual AA sections of this evaluation for additional demographic information specific to each AA.

Demographic Information of the Assessment Area Assessment Area: Combined						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	3,557	9.2	27.1	27.1	34.9	1.7
Population by Geography	16,377,553	8.6	27.9	28.0	34.9	0.5
Housing Units by Geography	5,722,166	7.5	24.9	27.8	39.4	0.3
Owner-Occupied Units by Geography	2,661,109	2.7	17.0	29.2	51.0	0.1
Occupied Rental Units by Geography	2,705,470	12.2	32.8	26.6	27.8	0.6
Vacant Units by Geography	355,587	7.9	24.2	26.7	40.6	0.6
Businesses by Geography	1,231,304	5.1	18.5	27.4	47.4	1.6
Farms by Geography	15,506	3.5	18.3	31.5	46.1	0.5
Family Distribution by Income Level	3,644,866	24.2	16.4	17.2	42.2	0.0
Household Distribution by Income Level	5,366,579	25.5	15.5	16.3	42.7	0.0
Median Family Income MSA - #11244 Anaheim-Santa Ana-Irvine, CA MD		$86,003	Median Housing Value			$503,771
Median Family Income MSA - #31084 Los Angeles-Long Beach-Glendale, CA MD		$62,703	Median Gross Rent			$1,363
Median Family Income MSA - #41740 San Diego-Carlsbad, CA MSA		$75,179	Families Below Poverty Level			12.5%

Source: 2015 ACS Census and 2017 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

According to 2017 D&B data, there are 1.2 million businesses in the CAA. Gross annual revenues (GAR) for these businesses are below:

- 87.0 percent have $1 million or less.
- 6.0 percent have more than $1 million.
- 7.0 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses in the CAA at 47.3 percent. Retail trade; non-classifiable establishments; and finance, insurance and real estate are the next largest industries at 13.0 percent, 9.9 percent, and 9.6 percent of businesses in the CAA, respectively. Additionally, 71.4 percent have 4 or fewer employees and 91.6 percent operate out of a single location.

Multi-family loans were not analyzed under the Borrower Profile criterion, as borrower income was not collected for this loan type. As such, the distribution of multi-family loans to individuals of different income levels is not considered in this evaluation.

The data also shows that 5.1 percent of non-farm businesses in the CAA are located in low-income CTs and 18.5 percent are located in moderate-income CTs. The analysis of small business loans under the Geographic Distribution criterion compares sampled small business loans to the distribution of businesses by CT income level.

According to 2015 ACS data, there are 1.8 million multi-family units in the CAA. Of that total, 12.6 percent and 30.6 percent of multi-family units are located in low-and moderate-income CTs, respectively. The analysis of multi-family loans under the Geographic Distribution criterion compares multi-family loans to the distribution of multi-family units by CT income level.

Refer to the individual AA sections of this evaluation for economic data specific to each AA, including top employers, unemployment rates, and general economic conditions and trends.

Competition

The CAA is a highly competitive market, which includes a number of large national and regional financial institutions. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 135 financial institutions that operated 3,012 full-service branches within the bank's CAA. Of these institutions, the bank ranked 70th with a 0.06 percent deposit market share. Large financial institutions with offices in the bank's CAA include Bank of America, National Association (NA); Wells Fargo Bank, NA; JPMorgan Chase Bank, NA; MUFG Union Bank, NA; and CIT Bank, NA. Combined, these 5 institutions have a 60.9 percent deposit market share in SDPB's CAA.

The bank is not required to collect or report its small business or home mortgage loan data, and it has selected not to do so. Therefore, the analysis of small business or multi-family loans under the Lending Test does not include comparisons against aggregate data.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AAs to assist in identifying the credit and CD needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit and CD opportunities are available.

Based on SDPB's CAA and lending focus, examiners identified and utilized seven community contacts as well as notes from a recent listening session with local CD groups. Refer to the individual AA sections of this evaluation for community contact information specific to each AA.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need for the AAs. The AAs contain a large number of small businesses, and the community contacts described a need for small business credit. The community contacts specifically mentioned a need for loans in small dollar amounts and with flexible and affordable terms, especially for businesses that are start-ups or have poor credit history. CD needs that were identified include affordable housing and financial education.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CAA

LENDING TEST

SDPB demonstrated reasonable performance under the Lending Test in the CAA. Geographic Distribution and Borrower Profile performance primarily support this conclusion. More weight is placed on the bank's performance in the San Diego AA in determining the bank's overall Lending Test rating.

Loan-to-Deposit Ratio

SDPB's LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 101.9 percent over the past 5 calendar quarters from December 31, 2016 to December 31, 2017. This ratio represents an increase over the average LTD ratio of 95.3 percent at the previous evaluation. The ratio ranged from a high of 114.0 percent as of June 30, 2017, to a low of 92.4 percent as of December 31, 2017. The ratio fluctuated throughout the evaluation period, yet remained generally stable. Examiners identified no significant trend.

SDPB maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected the comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	**Total Assets ($000s)**	**Average LTD Ratio (%)**
San Diego Private Bank	671,218	101.9
Similarly-Situated Institution #1	706,440	101.0
Similarly-Situated Institution #2	524,314	116.7
Similarly-Situated Institution #3	869,002	81.3
Source: Call Report Data		

AA Concentration

SDPB originated a substantial majority of its small business and multi-family loans, by both number and dollar volume, inside of its CAA. Overall, 90.9 percent of loans by number and 92.7 percent by dollar volume were originated or purchased inside of the CAA. See the following table.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Small Business										
2017	44	88.0	6	12.0	50	23,381	87.8	3,239	12.2	26,620
Subtotal	**44**	**88.0**	**6**	**12.0**	**50**	**23,381**	**87.8**	**3,239**	**12.2**	**26,620**
Multifamily										
2017	16	100.0	0	0.0	16	17,468	100.0	0	0.0	17,468
Subtotal	**16**	**100.0**	**0**	**0.0**	**16**	**17,468**	**100.0**	**0**	**0.0**	**17,468**
Total	**60**	**90.9**	**6**	**9.1**	**66**	**40,849**	**92.7**	**3,239**	**7.3**	**44,088**
Source: Evaluation Period: 1/1/2017 - 12/31/2017 *Due to rounding, totals may not equal 100.0*										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the CAA. The bank's reasonable performance of sampled small business loans and excellent performance of multi-family loans supports this conclusion. Examiners focused on the percentage by number of loans in LMI CTs. Examiners noted no conspicuous lending gaps in the geographic distribution of loans in the CAA.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion. The bank originated 9.1 percent and 6.8 percent of its small business loans in LMI CTs, respectively in 2017. The lending in low-income CTs exceeds business demographics by 4.0 percent and represents an increase of 6.0 percent from the prior evaluation. This performance exhibits the bank's commitment to lending to small businesses in low-income CTs within the CAA.

The lending in moderate-income CTs falls short of demographics by 11.7 percent. Although business demographic data is used for comparison purposes, this data does not necessarily indicate loan demand or the credit worthiness of borrowers. Furthermore, the bank's branches are located in upper- and middle-income CTs and the CAA is a highly competitive market. The bank's lending focus also affects their dispersion of loans throughout the CAA. Overall, this level of lending represents reasonable performance.

The following table shows the geographic distribution of the sampled small business loans.

Geographic Distribution of Small Business Loans Assessment Area: Combined					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2017	5.1	4	9.1	2,915	12.5
Moderate					
2017	18.5	3	6.8	1,205	5.2
Middle					
2017	27.4	11	25.0	4,380	18.7
Upper					
2017	47.4	26	59.1	14,881	63.6
Not Available					
2017	1.6	0	0.0	0	0.0
Totals					
2017	**100.0**	**44**	**100.0**	**23,381**	**100.0**
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data *Due to rounding, totals may not equal 100.0*					

Multi-family Loans

The geographic distribution of multi-family loans reflects excellent dispersion throughout the CAA. Examiners used 2015 ACS data for comparison purposes.

The bank originated or purchased 18.8 percent and 43.8 percent of its multi-family loans in low- and moderate-income CTs in 2017, respectively. The lending in both low- and moderate-income CTs exceeds demographics by 6.2 percent and 13.2 percent, respectively. Multi-family loans were not considered at the prior evaluation. Overall, this level of lending represents excellent performance.

The following table shows the geographic distribution of multi-family loans.

Geographic Distribution of Multifamily Loans Assessment Area: Combined					
Tract Income Level	**% of Multifamily Units**	**#**	**%**	**$(000s)**	**%**
Low					
2017	12.6	3	18.8	1,474	8.4
Moderate					
2017	30.6	7	43.8	5,444	31.2
Middle					
2017	25.9	2	12.4	1,700	9.7
Upper					
2017	30.9	4	25.0	8,850	50.7
Totals					
2017	**100.0**	**16**	**100.0**	**17,468**	**100.0**
Source: 2015 ACS Census Data; 1/1/2017 - 12/31/2017 Bank Data *Due to rounding, totals may not equal 100.0*					

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes in the CAA. The bank's poor performance in small business loans supports this conclusion. Examiners focused on the percentage by number of loans to businesses with GARs of $1 million or less. Multi-family loans were not analyzed under the Borrower Profile criterion, as borrower income was not collected for this loan type.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes. The following table shows the distribution of the sampled small business loans by the GAR category of the borrower.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Combined					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2017	87.0	23	52.3	9,348	40.0
>1,000,000					
2017	6.0	21	47.7	14,033	60.0
Revenue Not Available					
2017	7.0	0	0.0	0	0.0
Totals					
2017	**100.0**	**44**	**100.0**	**23,381**	**100.0**
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data *Due to rounding, totals may not equal 100.0*					

The bank originated 52.3 percent of its small business loans to borrowers with GARs of $1 million or less. The bank's performance falls short of the business demographics by 34.7 percent and represents a decrease of 22.7 percent from the prior evaluation.

SDPB focuses on high net-worth individuals and businesses through its focus on private banking. Furthermore, the bank faces very strong competition in the CAA from many large national and regional lenders. However, the bank's lending to businesses with GARs of $1 million or less is limited and demographic information and the community contacts indicate that credit needs and opportunities do exist for small businesses in the CAA. Considering the performance context, this represents poor performance.

<u>Response to Complaints</u>

The bank did not receive any CRA-related complaints since the prior evaluation; therefore, this consideration did not affect the institution's overall CRA Rating.

<u>COMMUNITY DEVELOPMENT TEST</u>

SDPB demonstrated adequate responsiveness to the CD needs of its CAA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities. More weight is placed on the bank's performance in the San Diego AA in determining the bank's overall CD Test rating.

<u>Community Development Loans</u>

SDPB originated or purchased 11 CD loans during the evaluation period totaling $20.2 million.

This level of lending represents 3.0 percent of total assets and 4.1 percent of total loans, according to the December 31, 2017 Call Report.

At the prior evaluation, the bank originated or purchased 60 CD loans for a total of $120.9 million in the CAA. However, the evaluation period at the prior evaluation period was approximately 57 months, from December 19, 2011 to October 3, 2016. Comparatively, the evaluation period at this evaluation is approximately 17 months. Examiners considered the significant difference in the lengths of the evaluation periods when comparing performance under the CD Test to the prior evaluation.

The CD loans were used to support affordable housing, revitalize or stabilize LMI areas, and promote economic development. The following table shows the distribution of CD loans by AA and purpose.

Community Development Lending by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
San Diego	4	6,330	0	0	1	3,090	1	1,794	**6**	**11,214**
Los Angeles	4	3,048	0	0	0	0	1	5,900	**5**	**8,948**
Total	**8**	**9,378**	**0**	**0**	**1**	**3,090**	**2**	**7,694**	**11**	**20,162**
Source: Bank Records										

Refer to the full-scope AA sections of this evaluation for specific details of CD loan activity during the evaluation period.

<u>Qualified Investments</u>

During the evaluation period, the bank made 30 qualified investments, including qualified donations and grants, totaling $3.2 million. This total includes 5 qualified investments totaling $3.1 million and 25 donations totaling $75,000. This level of investment represents 0.5 percent of total assets and 5.0 percent of total securities, according to the December 31, 2017 Call Report.

At the prior evaluation, the bank purchased 2 investments for $749,000 and made 43 donations for $82,000 in the CAA. As mentioned above, examiners considered the significant difference in the lengths of the evaluation periods when comparing performance under the CD Test to the prior evaluation.

The qualified investments and donations were used to provide community services, promote economic development, and create affordable housing targeting LMI areas and individuals. The following table shows the distribution of qualified investments, including qualified donations and grants, by AA and purpose.

Qualified Investments by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
San Diego	0	0	1	622	1	249	0	0	**2**	**871**
Los Angeles	0	0	3	2,214	0	0	0	0	**3**	**2,214**
Subtotal	**0**	**0**	**4**	**2,836**	**1**	**249**	**0**	**0**	**5**	**3,085**
Qualified Grants and Donations	3	9	22	66	0	0	0	0	**25**	**75**
Total	**3**	**9**	**26**	**2,902**	**1**	**249**	**0**	**0**	**30**	**3,160**
Source: Bank Records										

Refer to the full-scope AA sections of this evaluation for specific details of qualified investment activity during the evaluation period.

Community Development Services

During the evaluation period, 29 SDPB employees or Directors provided 50 instances of CD services to 34 different organizations. In total, the employees provided 1,083 hours of CD services in the CAA: 812 hours providing community services, 131 hours helping economic development, 47 hours supporting affordable housing, and 3 hours revitalizing or stabilize. The tables in the corresponding sections of each AA provide the information by year.

At the prior evaluation, the 13 different bank employees provided 1,416.5 hours of CD services to 15 different organizations in the CAA. As mentioned above, examiners considered the significant difference in the lengths of the evaluation periods when comparing performance under the CD Test to the prior evaluation.

The following table shows the distribution of CD services by AA and purpose:

Community Development Services by Assessment Area					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	**#**	**#**	**#**	**#**
San Diego	10	24	6	1	**41**
Los Angeles	0	8	1	0	**9**
Total	**10**	**32**	**7**	**1**	**50**
Source: Bank Records					

Refer to the full-scope AA sections of this evaluation for specific details of CD service activity during the evaluation period.

METROPOLITAN AREAS USING FULL-SCOPE EXAMINATION PROCEDURES

DESCRIPTION OF OPERATIONS IN THE SAN DIEGO AA

Examiners performed a full-scope evaluation of SDPB's performance in the San Diego AA. The evaluation considered small business loans and multi-family loans under the Lending Test and CD loans, qualified investments, and CD services under the CD Test. As a result of the San Diego AA containing the majority of the bank's branches, deposits, small business loans, multi-family loans, and CD loans, examiners placed a greater weight on the bank's lending and CD activities in the San Diego AA when determining overall ratings.

In the San Diego AA, the bank has three branch offices located in upper-income CTs, including the bank's headquarters. The bank also has a loan production office in a moderate-income CT in the San Diego AA.

The San Diego AA accounts for the following:

- 60.0 percent of the bank's branch offices;
- 87.6 percent of the bank's deposits, according to June 30, 2017 FDIC Deposit Market Share data;
- 58.0 percent of the sampled small business loans in 2017 by number of loans;
- 56.3 percent of the multi-family loans in 2017 by number of loans;
- 54.5 percent of CD loans during the evaluation period by number of loans;
- 70.0 percent of qualified investments, including qualified donations and grants, during the evaluation period by number of investments; and
- 82.0 percent of CD services during the evaluation period by number of services.

DESCRIPTION OF THE SAN DIEGO AA

The San Diego AA comprises San Diego County, which constitutes the San Diego-Carlsbad-San Marcos, California, MSA #41740.

Economic and Demographic Data

Based on 2015 ACS data, SDPB's San Diego AA consists of 628 CTs. These CTs reflect the following income designations:

- 61 low-income CTs,
- 142 moderate income CTs,
- 204 middle-income CTs,
- 214 upper-income CTs, and
- 7 CTs with no income designation.

LMI CTs account for 9.7 percent and 22.6 percent, respectively, of the number of CTs in the San Diego AA. According to 2015 ACS data, the population of the San Diego AA was 3.2 million. The following table provides a summary of demographic, housing and business information within the bank's San Diego AA.

Demographic Information of the Assessment Area Assessment Area: San Diego						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	628	9.7	22.6	32.5	34.1	1.1
Population by Geography	3,223,096	8.9	23.6	32.5	34.7	0.3
Housing Units by Geography	1,180,806	7.7	21.7	34.2	36.5	0.0
Owner-Occupied Units by Geography	579,079	2.8	15.1	35.5	46.6	0.0
Occupied Rental Units by Geography	515,078	13.1	28.8	32.8	25.2	0.0
Vacant Units by Geography	86,649	7.6	22.8	33.8	35.8	0.0
Businesses by Geography	253,037	5.4	15.1	35.1	44.2	0.2
Farms by Geography	5,009	3.5	17.6	38.6	40.2	0.0
Family Distribution by Income Level	731,328	23.6	16.9	17.8	41.7	0.0
Household Distribution by Income Level	1,094,157	24.8	15.7	17.1	42.4	0.0
Median Family Income MSA - #41740 San Diego-Carlsbad, CA MSA		$75,179	Median Housing Value			$458,248
			Median Gross Rent			$1,404
			Families Below Poverty Level			10.6%
Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2017 D&B data, there are 253,037 businesses in the San Diego AA. GARs for these businesses are below:

- 87.6 percent have $1 million or less.
- 5.2 percent have more than $1 million.
- 7.2 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses in the San Diego AA at 48.3 percent. Retail trade; finance, insurance and real estate; and non-classifiable establishments are the next largest industries at 11.9 percent, 10.8 percent, and 8.8 percent of businesses in the San Diego AA, respectively. Additionally, 73.0 percent have 4 or fewer employees and 91.8 percent operate out of a single location.

The data also shows that 5.4 percent of non-farm businesses in the San Diego AA are located in low-income CTs and 15.1 percent are located in moderate-income CTs. The analysis of small business loans under the Geographic Distribution criterion compares sampled small business loans to the distribution of businesses by CT income level.

According to 2015 ACS data, there are 337,299 multi-family units in the San Diego AA. Of that total, 13.0 percent and 26.4 percent of multi-family units are located in low- and moderate-income CTs, respectively. The analysis of multi-family loans under the Geographic Distribution criterion compares multi-family loans to the distribution of multi-family units by CT income level.

The following economic data was obtained from Moody's Analytics as of November 2017.

San Diego County

San Diego County's economy continues to expand. The unemployment rate has decreased from 4.7 percent in 2016 to 4.2 percent in November 2017. Job growth has slowed but is still positive, driven by the healthcare and local government sectors. The technology sector is helped by engineering talent and access to venture capital. Increased defense spending will also positively affect the economy. The housing market is solid; construction permits are increasing and home prices are above pre-recession levels. Strengths of the San Diego County economy include a strong professional service industry, a significant defense presence, and a startup-friendly environment due to the availability of capital and a college-educated workforce. Weaknesses include obstacles to cross-border trade with Mexico and high costs of business and living. The top employers in San Diego County are Marine Corps Base Camp Pendleton, University of California San Diego, and Naval Base San Diego.

Competition

The San Diego AA is highly competitive. According FDIC Deposit Market Share data as of June 30, 2017, there were 53 financial institutions that operated 590 full-service branch offices within the bank's San Diego AA. Of these institutions, the bank ranked 22nd with a 0.40 percent deposit market share. Large financial institutions with offices in the bank's San Diego AA include Wells Fargo Bank, NA; Bank of America, NA; JPMorgan Chase Bank, NA; MUFG Union Bank, NA; and Bofi Federal Bank. Together, these 5 institutions have a 72.7 percent deposit market share in the San Diego AA.

Community Contact

Examiners reviewed two recent community contacts that serve the bank's San Diego AA. The contacts include two organizations that support small business development.

Both organizations said that small businesses have a need for access to credit and working capital. One organization specifically said that high rents and cost of living are a challenge for many small businesses in the community. One organization pointed to start-ups as businesses that have unmet credit needs, while the other mentioned businesses that have poor credit. Credit repair programs and working more closely with small business development centers were suggested as potential actions that banks could take. Both organizations additionally mentioned the need for more flexible, accessible credit terms and financial education programs.

Examiners also reviewed notes from a recent listening session held with many small business development, CD, and non-profit organizations in the area. The organizations said that the economic condition was improving, but some neighborhoods and individuals, such as youth, immigrants, and low-income individuals, were still struggling. The organizations mentioned high costs of living; large unbanked and underbanked communities; and the presence of predatory, online, or alternative finance companies lending in military and LMI communities. The organizations identified several needs for small businesses, including affordable and transparent micro-loans, small business education programs and workshops, and closer working relationships between banks and community organizations. Affordable or second-chance deposit products and secured credit cards were also mentioned as a financial need in the community. Finally, the organizations noted that there is a significant need for more affordable housing in the community.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SAN DIEGO AA

LENDING TEST

SDPB demonstrated reasonable performance under the Lending Test in the San Diego AA. The Geographic Distribution and Borrower Profile performance primarily supports this conclusion.

Geographic Distribution

The geographic distribution of small business and multi-family loans reflects reasonable dispersion throughout the San Diego AA. The bank's reasonable performance of sampled small business loans and excellent performance of multi-family loans supports this conclusion. Examiners focused on the percentage by number of loans in LMI CTs and noted no conspicuous gaps in the geographic distribution of loans in the AA.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion. The bank originated 6.9 percent and 6.9 percent of its small business loans in low- and moderate income CTs, respectively. The bank's lending in low-income CTs exceeds business demographics by 1.5 percent and represents an increase of 3.3 percent from the prior evaluation. This performance exhibits the bank's commitment to lending to small businesses in low-income CTs within the San Diego AA.

The bank's lending in moderate-income CTs falls short of business demographics by 8.2 percent. Although business demographic data is used for comparison purposes, this data does not necessarily indicate loan demand or the creditworthiness of borrowers. As mentioned, the bank's branches are located in upper-income CTs and the San Diego AA is a competitive market for small business loans. The bank's lending focus also affects their dispersion of loans in the San Diego AA. Overall, this level of lending represents reasonable performance.

The following table shows the geographic distribution of the sampled small business loans.

Geographic Distribution of Small Business Loans Assessment Area: San Diego					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2017	5.4	2	6.9	1,700	12.3
Moderate					
2017	15.1	2	6.9	675	4.9
Middle					
2017	35.1	9	31.0	3,305	23.8
Upper					
2017	44.2	16	55.2	8,181	59.0
Not Available					
2017	0.2	0	0.0	0	0.0
Totals					
2017	**100.0**	**29**	**100.0**	**13,861**	**100.0**
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data *Due to rounding, totals may not equal 100.0*					

Multi-family Loans

The geographic distribution of multi-family loans reflects excellent dispersion throughout the San Diego AA. Examiners used 2015 ACS data for comparison purposes.

The following table shows the geographic distribution of multi-family loans.

Geographic Distribution of Multifamily Loans Assessment Area: San Diego					
Tract Income Level	**% of Multifamily Units**	**#**	**%**	**$(000s)**	**%**
Low					
2017	13.0	2	22.2	780	13.8
Moderate					
2017	26.4	3	33.3	1,800	32.0
Middle					
2017	34.3	2	22.2	1,700	30.2
Upper					
2017	26.3	2	22.2	1,350	24.0
Totals					
2017	**100.0**	**9**	**100.0**	**5,630**	**100.0**
Source: 2015 ACS Census Data; 1/1/2017 - 12/31/2017 Bank Data *Due to rounding, totals may not equal 100.0*					

The bank originated or purchased 22.2 percent and 33.3 percent of its multi-family loans in low- and moderate-income CTs, respectively. The bank's multi-family lending in both low- and moderate-income CTs exceeds demographics by 9.2 percent and 6.9 percent, respectively. Multi-family loans were not considered at the prior evaluation. Overall, this level of lending represents excellent performance.

<u>Borrower Profile</u>

The distribution of borrowers reflects poor penetration of businesses of different revenue sizes in the San Diego AA. The bank's poor performance in small business loans supports this conclusion. Examiners focused on the percentage by number of loans to business with GARs of $1 million or less. Multi-family loans were not analyzed under the Borrower Profile criterion, as borrower income was not collected for this loan type.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes. The following table shows the distribution of the sampled small business loans by the GAR category of the borrower.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: San Diego					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2017	87.6	16	55.2	5,428	39.2
>1,000,000					
2017	5.2	13	44.8	8,433	60.8
Revenue Not Available					
2017	7.2	0	0.0	0	0.0
Totals					
2017	**100.0**	**29**	**100.0**	**13,861**	**100.0**
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0					

The bank originated 55.2 percent of its small business loans to borrowers with GARs of $1 million or less. The bank's performance falls short of the business demographics by 32.4 percent and represents a decrease of 22.7 percent from the prior evaluation.

SDPB focuses on high-net worth individuals and businesses through its focus on private banking. Furthermore, the bank faces strong competition in the San Diego AA from many large national and regional lenders. However, the bank's lending to businesses with GARs of $1 million or less is limited, and demographic information and the community contacts indicate that credit needs and opportunities do exist for small businesses in the AA. Considering the performance context, this represents poor performance.

COMMUNITY DEVELOPMENT TEST

SDPB demonstrated adequate responsiveness to the CD needs of its San Diego AA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities. The bank's performance under each of the CD Test criteria in the San Diego AA is summarized below.

Community Development Loans

SDPB originated or purchased 6 CD loans during the evaluation period totaling $11.2 million. This level of lending represents 54.5 percent of all CD loans in the CAA by number and 55.6 percent by dollar volume.

At the prior evaluation, the bank originated or purchased 41 CD loans for a total of $95.0 million in the San Diego AA. However, it should be noted that the evaluation period at the prior evaluation period was approximately 57 months, from December 19, 2011 to October 3, 2016.

Comparatively, the evaluation period at this evaluation is approximately 17 months. Examiners considered the significant difference in the lengths of the evaluation periods when comparing performance under the CD Test to the prior evaluation.

The CD loans were used to support affordable housing, promote economic development, and revitalize or stabilize LMI areas. The following table shows the distribution of CD loans by year and purpose.

Community Development Lending in the San Diego AA										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
10/03/2016 – 12/31/2016	1	4,100	0	0	0	0	1	1,794	**2**	**5,894**
2017	3	2,230	0	0	1	3,090	0	0	**4**	**5,320**
YTD 2018	0	0	0	0	0	0	0	0	**0**	**0**
Total	**4**	**6,330**	**0**	**0**	**1**	**3,090**	**1**	**1,794**	**6**	**11,214**
Source: Bank Records										

Below are notable examples of the bank's CD loans in the San Diego AA:

- In 2016, the bank originated a $4.1 million loan to purchase a 32-unit apartment building in a moderate-income area of San Diego. Twenty-nine of the units were rented at rates below the Department of Housing and Urban Development (HUD) fair market rents. The loan provided affordable housing to residents of the moderate-income area.

- In 2017, the bank originated an $800,000 loan to refinance an 11-unit apartment building in a low-income area of San Diego. The master lease of the building is held by a non-profit organization that provides low-cost mental health and substance abuse recovery programs. That organization sub-leased 10 of the 11 units at rates below HUD fair market rents to its clients. The loan provided affordable housing to residents of the low-income area.

Qualified Investments

During the evaluation period, the bank made 21 qualified investments, including qualified donations and grants, totaling $920,000. This total includes 2 qualified investments totaling $871,000 and 19 donations totaling $49,000. This level of investment represents 40.0 percent of all qualified investments in the CAA by number and 28.2 percent by dollar volume, while this level of donations represents 76.0 percent of all qualified donations and grants in the CAA by number and 65.3 percent by dollar volume.

At the prior evaluation, the bank purchased 2 investments for $749,000 and made 43 donations for $82,000 in the San Diego AA. As mentioned above, examiners considered the significant difference in the lengths of the evaluation periods when comparing performance under the CD Test to the prior evaluation.

The qualified investments and donations were used to provide community services, promote economic development, and promote affordable housing targeting LMI areas and individuals. The following table shows the distribution of qualified investments, including qualified donations and grants, by year and purpose.

Qualified Investments in the San Diego AA										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
10/03/2016 – 12/31/2016	0	0	0	0	0	0	0	0	**0**	**0**
2017	0	0	1	622	1	249	0	0	**2**	**871**
YTD 2018	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**0**	**0**	**1**	**622**	**1**	**249**	**0**	**0**	**2**	**871**
Qualified Grants and Donations	3	9	16	40	0	0	0	0	**19**	**49**
Total	**3**	**9**	**16**	**662**	**1**	**249**	**0**	**0**	**21**	**920**
Source: Bank Records										

Below are notable examples of the bank's qualified investments, including qualified donations and grants, in the bank's San Diego AA:

- In 2017, the bank purchased $622,269 in bonds supporting a school district in San Diego County. The school district serves over 16,900 students in 29 schools, the majority of which are designated as Title I schools. In the school district, 71.2 percent of students receive free or reduced lunch. The investment provided community services to the area by supporting education to students that are likely part of LMI families.

- In 2017, the bank donated $10,000 to a residential school in San Diego County that provides housing and education for foster children. The school has served over 700 children and provided them with a stable home, education, and workforce development. The donation provided community service to the area by supporting essential services for LMI children.

- In 2017, the bank donated $5,000 to an organization in San Diego County that provides assistance to homeless individuals such as housing, food, childcare, and basic healthcare. In 2016, the organization provided shelter for an average of 430 people per night and provided an average of nearly 1,100 meals per day. The donation provided community service to the area by supporting essential services for LMI individuals.

Community Development Services

During the evaluation period, 21 SDPB employees or Directors provided 41 instances of CD services to 26 different organizations. In total, the bankers provided 703 hours of CD services in the San Diego AA: 530 hours providing community services, 123 hours helping economic development, 47 hours supporting affordable housing, and 3 hours revitalizing or stabilizing LMI areas. This level of service represents 82.0 percent of all CD services in the CAA by number and 64.9 percent by hours.

At the prior evaluation, 13 bank employees provided 1,416.5 hours of CD services to 15 different organizations in the San Diego AA. Although the number of employees involved and total hours of CD services appears to have declined, the previous evaluation period covered 57 months compared to this evaluation period, which covers only 17 months. As mentioned above, examiners considered the significant difference in the lengths of the evaluation periods when comparing performance under the CD Test to the prior evaluation.

The following table shows the distribution of CD services by year and purpose:

Community Development Services in the San Diego AA					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
10/03/2016 – 12/31/2016	1	8	3	0	**12**
2017	9	15	3	1	**28**
YTD 2018	0	1	0	0	**1**
Total	**10**	**24**	**6**	**1**	**41**
Source: Bank Records					

Below are notable examples of the bank's CD services in the San Diego AA:

- In 2016 and 2017, an employee served a total of 64 hours with an organization in San Diego County that promotes affordable housing projects, gives grants for community services, provides financial education, and supports non-profits and small businesses through targeted programs. The employee sits on an Advisory Committee, reviewed applications for grants, and fundraised. The services provided affordable housing, community service, and economic development through its programs and grants that primarily serve LMI individuals and small businesses.

- In 2016 and 2017, 2 employees served a total of 69 hours with an economic development center in San Diego County. The employees served on the board of directors and Strategic Roundtable Committee. The services provided economic development by supporting an organization that supports small business development and promotes job creation.

DESCRIPTION OF OPERATIONS IN THE LOS ANGELES AA

Examiners performed a full-scope evaluation of SDPB's performance in the Los Angeles AA. The evaluation considered small business loans and multi-family loans under the Lending Test and CD loans, qualified investments, and CD services under the CD Test.

In the Los Angeles AA, the bank has one branch office located in an upper-income CT and one branch office located in a middle-income CT. Since the prior evaluation, the bank closed a branch in Irvine and opened branches in Newport Beach and Beverly Hills.

The Los Angeles AA accounts for the following:

- 40.0 percent of the bank's branch offices;
- 12.4 percent of the bank's deposits, according to June 30, 2017 FDIC Deposit Market Share data;
- 30.0 percent of the sampled small business loans in 2017 by number of loans;
- 43.7 percent of the multi-family loans in 2017 by number of loans;
- 45.5 percent of CD loans during the evaluation period by number of loans;
- 30.0 percent of qualified investments, including qualified donations and grants, during the evaluation period by number of investments; and
- 18.0 percent of CD services during the evaluation period by number of services.

DESCRIPTION OF THE LOS ANGELES ASSESSMENT AREA

The Los Angeles AA comprises the contiguous Los Angeles and Orange Counties. These counties constitute the Los Angeles-Long Beach-Anaheim, California, MSA #31080.

Economic and Demographic Data
Based on 2015 ACS data, SDPB's Los Angeles AA consists of 2,929 CTs. These CTs reflect the following income designations:

- 266 low-income CTs,
- 821 moderate income CTs,
- 760 middle-income CTs,
- 1,028 upper-income CTs, and
- 54 CTs with no income designation.

LMI CTs account for 9.1 percent and 28.0 percent, respectively, of the number of CTs in the Los Angeles AA. According to 2015 ACS data, the population of the Los Angeles AA was 13.2 million. The following table provides a summary of demographic, housing and business information within the bank's Los Angeles AA.

Demographic Information of the Assessment Area Assessment Area: Los Angeles						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	2,929	9.1	28.0	25.9	35.1	1.8
Population by Geography	13,154,457	8.6	28.9	26.9	35.0	0.6
Housing Units by Geography	4,541,360	7.5	25.8	26.2	40.1	0.4
Owner-Occupied Units by Geography	2,082,030	2.7	17.6	27.5	52.2	0.1
Occupied Rental Units by Geography	2,190,392	12.0	33.7	25.1	28.4	0.7
Vacant Units by Geography	268,938	8.0	24.6	24.4	42.2	0.8
Businesses by Geography	978,267	5.0	19.4	25.4	48.2	1.9
Farms by Geography	10,497	3.6	18.6	28.1	48.9	0.8
Family Distribution by Income Level	2,913,538	24.4	16.3	17.0	42.3	0.0
Household Distribution by Income Level	4,272,422	25.6	15.5	16.1	42.8	0.0
Median Family Income MSA - #11244 Anaheim-Santa Ana-Irvine, CA MD		$86,003	Median Housing Value			$515,607
Median Family Income MSA - #31084 Los Angeles-Long Beach-Glendale, CA MD		$62,703	Median Gross Rent			$1,353
			Families Below Poverty Level			13.0%

Source: 2015 ACS Census and 2017 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

According to 2017 D&B data, there are 978,267 businesses in the Los Angeles AA. GARs for these businesses are below:

- 86.9 percent have $1 million or less.
- 6.2 percent have more than $1 million.
- 7.0 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level.

The data also shows that 5.0 percent of non-farm businesses in the Los Angeles are located in low-income CTs and 19.4 percent are located in moderate-income CTs. The analysis of small business loans under the Geographic Distribution criterion compares sampled small business loans to the distribution of businesses by CT income level.

According to 2017 D&B data, service industries represent the largest portion of businesses in the Los Angeles AA at 47.1 percent. Retail trade; non-classifiable establishments; and finance, insurance and real estate are the next largest industries at 13.3 percent, 10.2 percent, and 9.3 percent of businesses in the Los Angeles AA, respectively. Additionally, 70.1 percent have four or fewer employees and 91.2 percent operate out of a single location.

According to 2015 ACS data, there are 1.5 million multi-family units in the Los Angeles AA. Of that total, 12.5 percent and 31.6 percent of multi-family units are located in low- and moderate-income CTs, respectively. The analysis of multi-family loans under the Geographic Distribution criterion compares multi-family loans to the distribution of multi-family units by CT income level.

The following economic data was obtained from Moody's Analytics as of November 2017.

Los Angeles County

Los Angeles County's economy continues to strengthen. The unemployment rate has decreased from 5.3 percent in 2016 to 4.6 percent in November 2017. The rate of job growth has decreased below the national average; however, wage growth is still above average. The television industry has driven growth in the entertainment sector. Limited housing supply has reduced housing affordability, and the lack of large service industries has limited commercial construction. Strengths of the Los Angeles County economy include a growing technology sector, foreign investment, and strong entertainment, tourism, and fashion industries. Weaknesses include fiscal austerity, decreasing aerospace or defense programs in the area and high housing and other living costs. The top employers in Los Angeles County are University of California Los Angeles, Kaiser Permanente, and University of Southern California.

Orange County

Orange County's economy also continues to improve. The unemployment rate has decreased from 4.0 percent in 2016 to 3.7 percent in November 2017, among the lowest in California. Jobs in consumer services and construction have increased while jobs in manufacturing have slightly decreased. Wages and housing prices have continued to rise, although more slowly than the state average. Growth in healthcare has led to more jobs and increased construction, and tourism-related industries have grown and added workers. Strengths of the Orange County economy include growth in technology and healthcare led by the University of California Irvine, improvements in the regional and national economies boosting tourism, and a well-diversified economy. Weaknesses include a slowdown in venture capital that has affected the technology sector and high costs of living. The top employers in Orange County are Disneyland Resort/The Walt Disney Company, University of California Irvine, and St. Joseph Health.

Competition

The Los Angeles AA is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2017, there were 125 financial institutions that operated 2,422 full-service branch offices within the bank's Los Angeles AA. Of these institutions, the bank ranked 105th with a 0.01 percent deposit market share. Large financial institutions with offices in the bank's Los Angeles AA include Bank of America, NA; Wells Fargo Bank, NA; JPMorgan Chase Bank, NA; MUFG Union Bank, NA; and CIT Bank, NA. Combined, these 5 institutions have a 60.1 percent deposit market share in the Los Angeles AA.

Community Contact

Examiners reviewed five recent community contacts that serve the bank's Los Angeles AA. The contacts include three organizations that promote small businesses and two organizations that are involved in economic development and community outreach.

The small business organizations all said that demand for small business lending is increasing as the economy improves, but some credit needs are still unmet. Each organization said that small businesses need micro-loans with more affordable and flexible terms. The organizations also mentioned that the small business community still needs financial education and financial education programs, especially for non-English speaking communities. Start-ups are one area where banks have an opportunity to finance small businesses, according to one organization. Another organization said that the recent recession has left some small business owners with poor credit scores, making it difficult to obtain loans. Organizations also mentioned high business costs, such as rising rents and a high minimum wage, as other obstacles that businesses in the area must overcome.

The community and economic development organizations emphasized that there was a need for financial institutions to serve everyone in the community, especially those in minority or LMI neighborhoods. The organizations pointed to affordable housing, small business and micro-loans, financial education, credit repair, workforce development, and youth programs as areas of need. They said banks can get directly involved in offering tailored loan and deposit products, participating in education programs, and volunteering.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LOS ANGELES AA

LENDING TEST

SDPB demonstrated reasonable performance under the Lending Test in the Los Angeles AA. Geographic Distribution and Borrower Profile performance primarily supports this conclusion.

Geographic Distribution

The geographic distribution of small business and multi-family loans reflects reasonable dispersion throughout the Los Angeles AA. The bank's reasonable performance of sampled small business loans and excellent performance of multi-family loans supports this conclusion. Examiners focused on the percentage by number of loans in LMI CTs and noted no conspicuous lending caps in the geographic distribution of loans in the AA.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion. The bank originated 13.3 percent and 6.7 percent of its small business loans in low- and moderate-income CTs, respectively. The bank's lending in low-income CTs exceeds business demographics by 8.3 percent. This performance exhibits the bank's commitment to lending to small businesses in low-income CTs within the Los Angeles AA.

The bank's lending in moderate-income CTs falls short of business demographics by 12.7 percent. Although business demographic data is used for comparison purposes, this data does not necessarily indicate loan demand or the credit worthiness of borrowers. As mentioned, the bank's branches are located in upper- and middle-income CTs and the Los Angeles AA is a highly competitive market for small business loans. The bank's lending focus also affects their dispersion of loans in the Los Angeles AA. Overall, this level of lending represents reasonable performance.

The following table shows the geographic distribution of the sampled small business loans.

Geographic Distribution of Small Business Loans Assessment Area: Los Angeles					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2017	5.0	2	13.3	1,215	12.8
Moderate					
2017	19.4	1	6.7	530	5.6
Middle					
2017	25.4	2	13.3	1,075	11.3
Upper					
2017	48.2	10	66.7	6,700	70.4
Not Available					
2017	1.9	0	0.0	0	0.0
Totals					
2017	**100.0**	**15**	**100.0**	**9,520**	**100.0**
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data. *Due to rounding, totals may not equal 100.0*					

Multi-family Loans
The geographic distribution of multi-family loans reflects excellent dispersion throughout the Los Angeles AA. Examiners used 2015 ACS data for comparison purposes.

The following table shows the geographic distribution of multi-family loans.

Geographic Distribution of Multifamily Loans Assessment Area: Los Angeles					
Tract Income Level	**% of Multifamily Units**	**#**	**%**	**$(000s)**	**%**
Low					
2017	12.5	1	14.3	694	5.9
Moderate					
2017	31.6	4	57.1	3,644	30.8
Middle					
2017	23.9	0	0.0	0	0.0
Upper					
2017	32.0	2	28.6	7,500	63.3
Totals					
2017	**100.0**	**7**	**100.0**	**11,838**	**100.0**
Source: 2015 ACS Census Data; 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0					

The bank originated or purchased 14.3 percent and 57.1 percent of its multi-family loans in low- and moderate-income CTs, respectively. The bank's multi-family lending in both low- and moderate-income CTs exceeds demographics by 1.8 percent and 25.5 percent, respectively. Multi-family loans were not considered at the prior evaluation. Overall, this level of lending represents excellent performance.

<u>Borrower Profile</u>

The distribution of borrowers reflects poor penetration of businesses of different revenue sizes in the Los Angeles AA. The bank's poor performance in small business loans supports this conclusion. Examiners focused on the percentage by number of loans to business with GARs of $1 million or less. Multi-family loans were not analyzed under the Borrower Profile criterion, as borrower income was not collected for this loan type.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes. Examiners used 2017 D7B data for comparison purposes. The following table shows the distribution of the sampled small business loans by the GAR category of the borrower.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Los Angeles					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2017	86.9	7	46.7	3,920	41.2
>1,000,000					
2017	6.2	8	53.3	5,600	58.8
Revenue Not Available					
2017	6.9	0	0.0	0	0.0
Totals					
2017	**100.0**	**15**	**100.0**	**9,520**	**100.0**
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data *Due to rounding, totals may not equal 100.0*					

The bank originated 46.7 percent of its small business loans to borrowers with GARs of $1 million or less. The bank's performance falls short of the business demographics by 40.2 percent.

SDPB focuses on high-net worth individuals and businesses through its focus on private banking. Furthermore, the bank faces very strong competition in the Los Angeles AA from many large national and regional lenders. However, the bank's lending to businesses with GARs of $1 million or less is limited, and demographic information and the community contacts indicate that credit needs and opportunities do exist for small businesses in the AA. Considering the performance context, this represents poor performance.

COMMUNITY DEVELOPMENT TEST

SDPB demonstrated adequate responsiveness to the CD needs of its Los Angeles AA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities. The bank's performance under each of the CD Test criteria in the Los Angeles AA is summarized below.

Community Development Loans

SDPB originated or purchased 5 CD loans during the evaluation period totaling $8.9 million. This level of lending represents 45.5 percent of all CD loans in the CAA by number and 44.4 percent by dollar volume.

At the prior evaluation, the bank originated or purchased 19 CD loans for a total of $25.9 million in the Los Angeles AA. However, it should be noted that the evaluation period at the prior evaluation period was approximately 57 months, from December 19, 2011 to October 3, 2016. Comparatively, the evaluation period at this evaluation is approximately 17 months. Examiners considered the significant difference in the lengths of the evaluation periods when comparing the bank's performance under the CD Test to the prior evaluation.

The CD loans were used to support affordable housing and revitalize or stabilize LMI areas. The following table shows the distribution of CD loans by year and purpose:

Community Development Lending in the Los Angeles AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
10/03/2016 – 12/31/2016	1	880	0	0	0	0	0	0	**1**	**880**
2017	3	2,168	0	0	0	0	1	5,900	**4**	**8,068**
YTD 2018	0	0	0	0	0	0	0	0	**0**	**0**
Total	**4**	**3,048**	**0**	**0**	**0**	**0**	**1**	**5,900**	**5**	**8,948**
Source: Bank Records										

Below are notable examples of the bank's CD loans in the Los Angeles AA:

- In 2017, the bank purchased a $5.9 million participation in a loan to complete a 74-unit condominium development in a moderate-income area of Los Angeles County. The development was distressed as the initial developer was struggling to complete the project. The borrower was able to purchase the property and complete the development. Housing in the area is very limited and the availability of the condominiums revitalized and stabilized the area by attracting residents to the moderate-income area.

- In 2017, the bank originated a $1.0 million loan to assist in the purchase a 16-unit apartment building in a moderate-income area in moderate-income area of Los Angeles County. All 16 of the units were rented at rates below the HUD fair market rents. The loan provided affordable housing to residents of the moderate-income area.

<u>Qualified Investments</u>

During the evaluation period, the bank made 9 qualified investments, including qualified donations and grants, totaling $2.2 million. This total includes 3 qualified investments totaling $2.2 million and 6 qualified donations totaling $26,000. This level of investment represents 60.0 percent of all qualified investments in the CAA by number and 71.8 percent by dollar volume, while this level of donation represents 24.0 percent of all qualified grants and donations in the CAA by number and 34.7 percent by dollar volume.

This represents an increase in performance over the previous evaluation, where the bank did not make any qualified investments, including qualified donations or grants in the Los Angeles AA.

The qualified investments and donations were used to provide community services to LMI areas and to LMI individuals. The following table shows the distribution of qualified investments, including qualified donations and grants, by year and purpose.

Qualified Investments in the Los Angeles AA										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
10/03/2016 – 12/31/2016	0	0	0	0	0	0	0	0	**0**	**0**
2017	0	0	3	2,214	0	0	0	0	**3**	**2,214**
YTD 2018	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**0**	**0**	**3**	**2,214**	**0**	**0**	**0**	**0**	**3**	**2,214**
Qualified Grants and Donations	0	0	6	26	0	0	0	0	**6**	**26**
Total	**0**	**0**	**9**	**2,240**	**0**	**0**	**0**	**0**	**9**	**2,240**
Source: Bank Records										

Below are notable examples of the bank's qualified investments, including qualified donations and grants, in the bank's Los Angeles AA:

- In 2017, the bank purchased $1.3 million in bonds supporting the A school district in Los Angeles County. The school district serves over 630,000 students in over 1,000 schools, the majority of which are designated as Title I schools. In the school district, 79.1 percent of students receive free or reduced lunch. The investment provided community services to the area by supporting education to students that are likely part of LMI families.

- In 2017, the bank donated $5,000 to an organization that provides youth programs in a moderate-income area of Orange County. The organization currently serves over 3,000 youth by providing educational and outreach activities. The donation provided community services to the area by supporting youth programs to residents of a moderate-income area.

Community Development Services

During the review period, 15 SDPB employees or Directors provided 9 instances of CD services to 8 different organizations. In total, the bankers provided 380 hours of CD services in the Los Angeles AA: 282 hours providing community services and 8 hours helping economic development. This level of CD service represents 18.0 percent of all CD services in the CAA by number and 35.1 percent by hours.

The bank's performance in the Los Angeles AA represents an increase over the previous evaluation, where the bank did not provide any CD services in the Los Angeles AA.

The following table shows the distribution of CD services by year and purpose:

Community Development Services in the Los Angeles AA					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
10/03/2016 – 12/31/2016	0	1	0	0	**0**
2017	0	8	1	0	**9**
YTD 2018	0	0	0	0	**0**
Total	**0**	**8**	**1**	**0**	**9**
Source: Bank Records					

Below are notable examples of the bank's CD services in the Los Angeles AA:

- In 2017, 9 employees served a total of 45 hours on a financial education program in partnership with a local police department in Los Angeles County. The employees created educational material and presented the material to 300 schoolchildren in an LMI area. The employees also fundraised for the event, which distributed free school supplies. The services provided community service through financial education for children in an LMI area.

- In 2017, 3 bank employees served a total of 19 hours on a financial education program for home-based childcare providers in Orange County. These childcare providers are primarily single-employee businesses that receive government funding because they provide childcare and nutrition to LMI children. The employees created and presented material on two occasions on financial education and record retention to the childcare providers. The services were for the purpose of helping the childcare providers meet the requirements to continue receiving government funding. The services provided community service through financial education to small businesses that provide essential services to LMI children.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA Rating.

GLOSSARY

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms;
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose bank:
  (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

(1) Has as its primary purpose community development;
(2) Is related to the provision of financial services; and
(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.