

PUBLIC DISCLOSURE

July 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security First Bank
RSSD Number 54861
141 West Bastanchury Road
Fullerton, California 92835

Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105

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

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GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance for **Security First Bank** prepared by the **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of **July 19, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

Institution's CRA Rating: This institution is rated satisfactory.

Basis for Rating

Security First Bank's overall satisfactory performance is based on its record of adequately meeting the credit needs of its communities consistent with its size, resources, and financial condition. The bank's loan-to-deposit ratio, the percentage of loans inside the assessment area, and the geographic distribution of loans are all reasonable and consistent with its resources and capabilities. Lending patterns also demonstrated good distribution among low-income geographies. Although lending patterns exhibited a lesser degree of penetration within moderate-income census tracts, they are consistent with the bank's business strategy, office location, and competition, the bank's lending within moderate-income tracts reflects a reasonable distribution of credit. With respect to lending to businesses of different sizes, the bank extended a majority of its small business loans to businesses with revenues of \$1 million or less.

PERFORMANCE CONTEXT

Description of Institution

Security First Bank operates as a unit bank located in Fullerton, California. The bank was originally established in 1984 in the city of Anaheim under the name Pacific Inland Bank; in February 1997 the bank relocated to its present location in Fullerton. Security First Bank provides a full range of banking services to individual and corporate customers throughout Orange County. The loan products offered include commercial loans, home equity lines of credit, and consumer purpose installment loans.

Although the bank does offer a full range of credit products, its primary focus is to meet the commercial credit needs of its assessment area's small to medium-sized businesses (i.e., those businesses with gross annual revenues of \$750,000 to \$15 million). The March 31, 1999 Consolidated Reports of Condition and Income (Call Report) reported the bank's total assets as \$50.4 million, of which \$28.2 million, or 54 percent, are in loans. Consistent with its stated business strategy, the majority of the bank's lending is to business entities, with 69 percent of total loans extended for business purposes. Consumer loans represent 18 percent of all loans, and the majority of these were purchased from another financial institution. Otherwise, direct consumer loans are primarily offered as an accommodation to existing business customers.

The bank operates in a competitive banking environment where other local community banks and large financial institutions offer similar products and services. The bank does not currently operate under any legal or financial impediments that would limit its ability to address the credit needs in its assessment area, consistent with its size, financial capacity, and local economic conditions. Security First Bank's CRA performance was rated satisfactory at its previous examination conducted as of October 28, 1997.

Description of Assessment Area

Security First Bank's assessment area consists of seven cities in northern Orange County (Anaheim, Brea, Buena Park, Fullerton, Orange, Placentia, and Villa Park). The assessment area's 152 tracts include four (2.6 percent) low-income, forty-three (28.3 percent) moderate-income, seventy-six (50 percent) middle-income, and twenty-nine (19.1 percent) upper-income census tracts. Within the 152 census tracts are 180,793 families, of which 2.3 percent are low-income, 27.7 percent are moderate-income, 48.8 percent are middle-income, and 21.2 percent are upper-income.¹ A significant percentage of the assessment area's population lives in middle-income tracts, 47.5 percent, followed by 30.7 percent in moderate-income census tracts.

The city of Anaheim and the business corridors along Highways 91, 55 and 57 represent the focus of the bank's business development strategy. The bank's original Anaheim location and

¹ Source: 1990 U.S. Census

lending concentrations along Highways 91, 55, and 57 resulted in a customer base of businesses that have continued their banking relationships and provided the bank with referrals based on their established business relationship. Manufacturing companies, specifically technology, electronic equipment and components, and tourism, dominate the bank's defined business market,² which includes many medium- to large-sized businesses. Tax revenues generated from Disneyland Park and the Anaheim Convention Center's billion dollar expansion projects play an important role in developing the City of Anaheim's economy. Anaheim is the most populated city in the assessment area,³ and Disneyland Park is the largest private employer with 12,000 employees.⁴ Although not as large as Anaheim, the cities of Buena Park, Fullerton, and Orange have large concentrations of business entities, creating similar types of lending opportunities for local financial institutions.

Data provided by Dun and Bradstreet (a firm that provides business and credit data) show that the vast majority (23,980 or 85 percent) of businesses operating within the bank's defined assessment area have gross annual sales of \$1 million or less. The majority of businesses are located in middle- (48 percent) and moderate-income tracts (31 percent), providing excellent opportunities for small business lending in these geographic areas. Overall, the community contacts stated that the greatest credit needs are for building improvement loans to small businesses in amounts ranging from \$70,000 to \$150,000, and equipment, business expansion and working capital loans in amounts less than \$250,000.

² Source: "Manufacturing uses in the Anaheim Canyon Business Center," Anaheim Redevelopment Agency

³ Source: Orange County Economic Profile 1999

⁴ Source: "Anaheim At A Glance," Anaheim Redevelopment Agency

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of Examination

Security First Bank's performance under the Community Reinvestment Act was evaluated based upon four of the five performance criteria for small banks. These performance criteria consist of loan volume in comparison to deposits (Loan-to-Deposit Ratio), lending inside and outside the assessment area (Lending in Assessment Area), lending dispersion throughout the census tracts or geographies within the assessment area (Geographic Distribution of Loans), and the distribution of lending to businesses of different sizes (Lending by Business Revenue). The fifth criterion, the bank's responsiveness to consumer complaints, was not evaluated because no CRA-related complaints were received subsequent to the previous examination.

The bank's CRA performance was evaluated using its total small business lending activity from January 1998 through March 1999. The loans were first analyzed to determine the volume of lending within the bank's assessment area. Next, those small business loans extended within the assessment area were used to evaluate the geographic distribution of lending and the lending performance to businesses of different sizes. Examiners evaluated the bank's record of meeting the credit needs of its designated community by evaluating only those loans that were extended inside the bank's assessment area. Due to its commercial lending focus, the assessment of the bank's CRA performance considered small business loans only. Other loans, including consumer-purpose, demonstrated insufficient activity for consideration under CRA.

Loan-to-Deposit Ratio

Security First Bank's loan-to-deposit ratio reflects a satisfactory degree of lending activity during the sample period. For the five quarters comprising the sample period, the bank's loan-to-deposit ratio averaged 56 percent. During the same period, peer banks operating in the same geographic area averaged loan-to-deposit ratios ranging from 59 to 65 percent, with a state average for peer banks of 66 percent. Although the bank's loan-to-deposit ratio was lower than its peer banks, the ratio remained constant during a time the bank experienced a significant growth in core deposits as well as significant loan growth. Taking these factors into account, the bank's loan-to-deposit ratio is reasonable and meets standards for a satisfactory performance.

Lending in Assessment Area

Small business lending patterns indicate that the bank satisfactorily originated the majority of its small business loans within its delineated assessment area. The table below shows that a majority of loans were extended inside the assessment area by both number and dollar volume.

Loan Type	Number of Loans		Dollar Amount of Loans	
	Inside	Outside	Inside	Outside
Small Business	65%	35%	67%	33%

Geographic Distribution of Loans

The bank's small business lending patterns reflect a reasonable penetration of assessment area

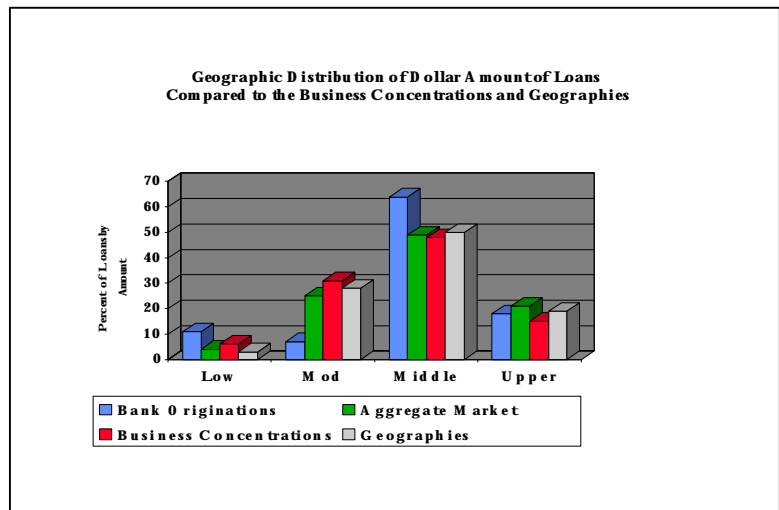
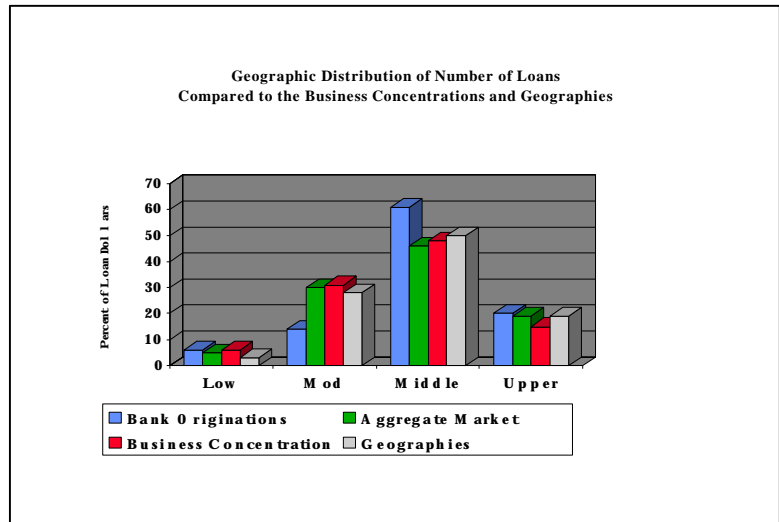
geographies consistent with the bank's business development strategy, office location, and local competition. As demonstrated in the accompanying graphs, the bank predominantly lends in middle-income census tracts. Lending in low-income geographies is consistent with the concentrations of businesses in these areas.

Although the bank is lending in moderate-income areas, the charts do, however, evidence lesser concentrations in moderate-income tracts. The higher lending

dispersion to middle- and upper-income census tracts results from the bank's focus on lending to specific types of businesses and the location of its original office in the city of Anaheim. The

area surrounding the bank's previous location and market area predominantly consists of middle-income tracts with fewer of the low- and moderate-income tracts in close proximity to this location.

Consequently, the bank's lending patterns exhibit concentrations in the middle-income tracts southeast of Fullerton and surrounding Anaheim along the corridor of Highways 91, 55 and 57 as this area represents the location of existing bank clients prior to its move to Fullerton and concentrations of the types of businesses targeted by the bank.



Additional contextual factors provide further explanation for the bank's lower distribution of small business lending in moderate-income census tracts. Specifically, the bank pursues a business strategy of lending to and obtaining referrals from existing customers who are historically located in the areas surrounding its previous office in Anaheim. Although the bank has extended small business loans in areas near its Fullerton location, it has not yet developed a comparable customer base in close proximity to its new location. Moreover, numerous financial institutions, several of which are located in low- and moderate-income census tracts, compete to service the credit needs of those communities.

Lending by Business Revenue

The bank's distribution of loans to businesses of different sizes meets standards for a satisfactory performance. As previously stated, the majority of assessments are a businesses (85 percent) are small, reporting gross annual revenues of \$1 million or less. Furthermore, building improvement loans in amounts ranging from \$70,000 to \$150,000 and working capital, equipment, and business expansion loans represent the primary credit needs among the assessment area's small- and medium-sized businesses. Security First Bank's overall small-business lending results demonstrate adequate response to these identified needs and businesses. For example, the bank extended a majority (53 percent) of its small business loans to small businesses. Moreover, review of the bank's loans to small businesses show that 50 percent were in amounts less than \$100,000 and 23 percent in amounts of \$100,000 to \$250,000, addressing the specific need for smaller dollar loans to these entities.

Response to Complaints

The bank's responsiveness to consumer complaints was not evaluated because no CRA related complaints have been received since the previous examination.

Compliance with Fair Lending Laws and Regulations

The bank is in compliance with all substantive provisions of the anti-discrimination laws and regulations. No violations were noted during this examination that would indicate that Security First Bank engages in any type of discrimination or discouragement in its lending activities.

GLOSSARY OF FREQUENTLY USED TERMS

AREA MEDIAN INCOME (MEDIAN INCOME)	The median family income for the Metropolitan Statistical Area (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 which generally consists of one or more MSAs or one or more contiguous subdivisions, such as counties, cities or towns. Assessment areas also include geographies in which the bank has its main office, its branches and its deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business loans, small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).
COMMUNITY DEVELOPMENT	<ol style="list-style-type: none">(1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals.(2) Community services targeted to low- or moderate-income individuals.(3) Activities that promote economic development by financing business or farms, which have, gross annual revenues of \$1 million or less or that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs.(4) Activities that revitalize or stabilize low- or moderate-income geographies.
COMMUNITY DEVELOPMENT LOAN	A loan that has as its primary purpose community development; and, except in the case of a wholesale or limited purpose bank: <ol style="list-style-type: none">(1) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and(2) Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

COMMUNITY DEVELOPMENT SERVICE	A service that has as its primary purpose community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services under CRA.
CONSUMER LOANS	Loans 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. Examples of consumer loans are: Motor Vehicle Loans, Credit Card Loans, Home-Equity Loans, Secured Consumer Loans and Unsecured Consumer Loans.
FAMILIES	Defined by the U.S. Bureau of Census as all persons occupying a housing unit related to the householder by birth, marriage or adoption. A single person living alone or two or more unrelated individuals occupying the same household are not considered to be a family.
GEOGRAPHIES	Census tracts or numbering area blocks delineated by the U.S. Bureau of Census in the most recent decennial census.
HOUSEHOLDS	Defined by the U.S. Bureau of Census as all persons occupying a housing unit.
HUD ADJUSTED MEDIAN INCOME	Based initially on the area median income derived from the most recent decennial census, the Department of Housing and Urban Development adjusts the figure annually for inflation.
INCOME LEVEL	Includes low-income, moderate-income, middle-income and upper-income.
LOW-INCOME	An individual income that is less than 50 percent of the HUD-adjusted median income or a census tract or block numbering area with a median family income that is less than 50% of the area median income.
MEDIAN INCOME	See Area Median Income and HUD Adjusted Median Income
METROPOLITAN STATISTICAL AREA (MSA)	An area qualifies as an MSA if it contains a city with a population of at least 50,000 or is defined by the Bureau of the Census as an urbanized area and has a population of 50,000 or more and a total metropolitan population of 100,000.

MIDDLE-INCOME	An individual income that is at least 80 percent and less than 120 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 80 and less than 120 percent of the area median income.
MODERATE-INCOME	An individual income that is at least 50 percent and less than 80 percent of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is at least 50 and less than 80 percent of the area median income.
QUALIFIED INVESTMENT	A lawful investment, deposits, membership share, or grant that has as its primary purpose community development.
REAL ESTATE MORTGAGE LOAN	Defined by the Home Mortgage Disclosure Act (HMDA) as a home purchase loan, home improvement loan or the refinancings for both. A home purchase loan is any loan secured by and made for the purpose of purchasing a dwelling. A home improvement loan is for the purpose, in whole or part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located and is classified by the financial institution as a home improvement loan.
SMALL BANK	A bank that, as of December 31 of either of the prior two calendar years, had total assets of less than \$250 million and was independent or an affiliate of a holding company that, as of December 31 of the prior two calendar years, had total banking and thrift assets of less than \$1 billion.
SMALL BUSINESS	Businesses with gross annual revenues of \$1 million or less as defined by the Community Reinvestment Act.
SMALL BUSINESS LOAN	Business purpose loans with original amounts of \$1 million or less as defined by the instructions for the Consolidated Reports of Condition and Income (CALL Report) for entry on schedule RC-C, part II "Loans to Small Businesses."
UPPER-INCOME	An individual income that is 120 percent or more of the HUD-adjusted median income, or a census tract or block numbering area with a median family income that is 120 percent or more of the area median income.