

PUBLIC DISCLOSURE

June 7, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Santa Lucia Bank
RSSD #982263**

**7480 El Camino Real
Atascadero, California 93422**

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

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

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INSTITUTION RATING

Institution's CRA Rating

Santa Lucia Bank is rated "NEEDS TO IMPROVE"

The bank's initial satisfactory Community Reinvestment Act (CRA) rating, based on its performance, has been lowered to needs to improve based on substantive violations of the Equal Credit Opportunity Act (ECOA). These violations were detected during the consumer compliance examination that was conducted concurrently with this CRA performance evaluation. These illegal discriminatory credit practices contributed to the downgrade of an otherwise satisfactory performance that included:

- A reasonable loan to deposit ratio;
- A substantial majority of loans made within the assessment area;
- An reasonable geographic distribution of small business loans, with particular strength in penetrating moderate-income census tracts; and
- An excellent level of lending to small businesses, particularly in the San Luis Obispo assessment area.

INSTITUTION

Description of Institution

Santa Lucia Bank (SLB), headquartered in Atascadero, California, with reported total assets of \$269.5 million as of December 31, 2009, is a wholly-owned subsidiary of Santa Lucia Bancorporation. SLB currently operates three branches in the San Luis Obispo County cities of Arroyo, Atascadero, and Paso Robles and one in the Santa Barbara County city of Santa Maria. These counties are located in California's Central Coast.

SLB is full-service community bank that provides products and services to businesses and consumers. Loan products primarily include commercial/industrial, commercial real estate, working capital, consumer term loans, home equity lines of credit, and credit cards. Home mortgage financing is limited and primarily offered through brokerage services.

Below is the December 31, 2009, loan portfolio composition, as stated in the Consolidated Reports of Condition and Income, which shows the bank's commercial lending focus.

EXHIBIT 1		
LOANS AND LEASES AS OF DECEMBER 31, 2009		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	132,159	65.4
Construction & Land Development	47,458	23.5
Secured by 1-4 Family Residential Real Estate	18,315	9.1
Multi-Family	2,258	1.1
Consumer Loans & Credit Cards	1,743	0.9
All Other	235	0.0
Total (Gross)	202,168	100.0

SLB's assessment areas remain unchanged since the previous examination and are delineated into the following two assessment areas:

- **San Luis Obispo**, consisting of San Luis Obispo County in its entirety which is also the San Luis Obispo-Paso Robles Metropolitan Statistical Area (MSA).
- **Northern Santa Barbara**, consisting of 40 census tracts in the northern portion of Santa Barbara County. It is bordered by San Luis Obispo County to the north, the Pacific Ocean to the west, Ventura County to the east, and the Santa Ynez River to the south. It is part of the Santa Barbara-Santa Maria-Goleta MSA.

During this review period, SLB faced no legal or financial impediments that would prevent it from helping to meet the credit needs of its assessment area consistent with its business strategy,

size, financial capacity, and local economic conditions. The bank received a satisfactory rating at its previous CRA examination, which was conducted as of March 20, 2006.

Scope of Examination

The CRA performance was evaluated using the Interagency Small Bank CRA Examination Procedures. The evaluation was based on the following performance criteria:

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio);
- Lending inside and outside the assessment area (Lending in Assessment Areas);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Distribution of lending to businesses with different revenue sizes (Lending Distribution by Business Revenue).

Responsiveness to consumer complaints was not evaluated since the bank received no complaints related to its CRA performance during the review period.

The evaluation was based on small business loan originations for January 1, 2008 through December 31, 2009. A total of 527 small business loans were used in the evaluation of *Lending in Assessment Areas* and all 518 loans in the bank's assessment areas were evaluated for *Lending Distribution by Geography*. A sample of 76 small business loans in the San Luis Obispo assessment area and 37 small business loans in the Northern Santa Barbara assessment area were used in the evaluation of *Lending Distribution by Business Revenue*.

The San Luis Obispo assessment area was reviewed using full-scope examination procedures. A limited-scope review was conducted for the Northern Santa Barbara assessment area, due to a smaller presence and lower percentage of loan and deposit activity in this assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's sixteen-quarter average loan-to-deposit ratio, at 80.5 percent as of December 31, 2009, is reasonable. Although slightly lower than the state average and national peer loan-to-deposit ratios of 90.1 and 84.0 percent respectively, it nonetheless shows the bank engaged in lending activities throughout the financial crisis.

Lending in Assessment Areas

A substantial majority of small business loans were extended inside the bank's assessment areas. As seen in Exhibit 2, the bank extended over 98.0 percent by number and by dollar volume of its small business loans within its assessment areas. These lending levels support that lending activities are largely focused on the local assessment area.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS JANUARY 1, 2008 TO DECEMBER 31, 2009								
Loan Type	Inside				Outside			
	#	%	\$ (‘000s)	%	#	%	\$ (‘000s)	%
Small Business Loans	517	98.1	105,548	98.3	10	1.9	1,785	1.7

Lending Distribution by Geography

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment areas. Particular strengths are the level of small business lending in moderate-income tracts in San Luis Obispo and Northern Santa Barbara that exceeded the percentage of business entities and level of aggregate lending.

Lending Distribution by Business Revenue

Lending levels to small businesses was excellent. While levels were below the concentration of small businesses, they were more than double the aggregate lending levels in San Luis Obispo and well-above in Northern Santa Barbara. In addition, the majority of small business loans made were \$100 thousand or less, thus meeting an identified credit need within the community of extending loans in small amounts.

Response to Complaints

There were no complaints related to CRA during the review period. Accordingly, the bank's performance in responding to complaints was not considered in evaluating its overall CRA performance.

Fair Lending or Other Illegal Practices Review

The concurrent consumer compliance examination identified substantive violations of the ECOA, whereby the bank engaged in a pattern or practice of discrimination. The bank's policies were insufficient to prevent these errors, and their internal assessment efforts did not identify the matter. Since the examination, management has taken action to address the violations and implement procedures to prevent such violations going forward. These illegal discriminatory credit practices contributed to the downgrade from "Satisfactory" to "Needs to Improve."

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

For each assessment area where a full-scope review was performed using the examination procedures.

San Luis Obispo

DESCRIPTION OF OPERATIONS IN SAN LUIS OBISPO

The San Luis Obispo assessment area consists of San Luis Obispo County in its entirety, which is also known as the San Luis Obispo-Paso Robles MSA. San Luis Obispo County is bordered by Monterey County to the north, Kern County to the east, Santa Barbara County to the south and the Pacific Ocean lies along its western border. Located along the Central Coast of California, it is comprised of 17 coastal communities with locations in or near beaches, coastal hills, and mountain ranges.¹ As of 2009, San Luis Obispo County had a population of 271,821.²

SLB has a relatively small portion of the overall market. SLB operates three of its four branches in San Luis Obispo and, as of June 30, 2009, the bank held \$214.0 million in deposits, representing 4.4 percent of the market share and ranking seventh out of 16 institutions insured by the Federal Deposit Insurance Corporation (FDIC) that are operating 81 offices in this assessment area.³ Additionally, in 2009, there are 49 lenders reporting small business loans, pursuant to the reporting requirements of the CRA, most of which were large multi-national and regional banks, thrifts, and credit unions. These institutions, which represent only a portion of the overall commercial lending market, extended 5,357 small business loans.

The following exhibit presents key demographic and business information, based on the 2000 U.S. Census and 2009 Dun and Bradstreet data, used to help develop a performance context for the assessment area.

¹ Economic Vitality Corporation, *Community Profiles*, available from <http://www.sloevc.org/community/> (accessed on September 21, 2010).

² State of California Employment Development Department, *San Luis Obispo County Profile*; available from www.labormarketinfo.edd.ca.gov, (accessed on September 21, 2010).

³ Federal Deposit Insurance Corporation, Institution Directory, Summary of Deposits, June 30, 2009, (accessed on May 13, 2010); available at: <http://www3.fdic.gov/sod>.

EXHIBIT 3								
ASSESSMENT AREA DEMOGRAPHICS								
SAN LUIS OBISPO								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	10,972	18.6
Moderate-income	8	18.2	8,120	13.8	1,043	12.8	11,149	18.9
Middle-income	30	68.2	43,255	73.4	2,686	6.2	13,360	22.7
Upper-income	5	11.4	7,579	12.9	262	3.5	23,473	39.8
Tract not reported	1	2.3	0	0.0	0	0.0	0	0.0
<i>Total AA</i>	<i>44</i>	<i>100.0</i>	<i>58,954</i>	<i>100.0</i>	<i>3,991</i>	<i>6.8</i>	<i>58,954</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Moderate-income	15,270	5,852	10.3	38.3	8,563	56.1	855	5.6
Middle-income	76,418	42,987	75.4	56.3	25,324	33.1	8,107	10.6
Upper-income	10,579	8,153	14.3	77.1	1,852	17.5	574	5.4
Tract not reported	8	0	0.0	0.0	8	100.0	0	0.0
<i>Total AA</i>	<i>102,275</i>	<i>56,992</i>	<i>100.0</i>	<i>55.7</i>	<i>35,747</i>	<i>35.0</i>	<i>9,536</i>	<i>9.3</i>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Moderate-income	3,253	19.1	2,917	18.7	167	20.4	169	26.0
Middle-income	11,614	68.1	10,701	68.6	522	63.8	391	60.2
Upper-income	2,196	12.9	1,978	12.7	129	15.8	89	13.7
<i>Total AA</i>	<i>17,063</i>	<i>100.0</i>	<i>15,596</i>	<i>100.0</i>	<i>818</i>	<i>100.0</i>	<i>649</i>	<i>100.0</i>
Percentage of Total Businesses			91.4		4.8		3.8	
2004 Median Family Income			\$52,528	December 2009 Median Housing Value ⁴			\$390,000	
2009 HUD Adjusted Median Family Income			\$70,800	2009 Unemployment Rate ⁵			8.9%	

San Luis Obispo County has a relatively diverse economy which is driven by government, tourism, education, healthcare, and, to a lesser extent, construction. The natural scenery, outdoor recreation, wineries, and public attractions, such as Hearst Castle, have made tourism the largest private employer in the area. In addition, the wine industry, with its ties to tourism and manufacturing, is also an important factor within the county's economy. Top employers in this area include California Polytechnic University of San Luis Obispo, Atascadero State Hospital, California Men's Colony, and Pacific Gas and Electric Company.⁶ Additionally, small businesses, particularly retail and service businesses, play a significant role in the economy. According to the Dun & Bradstreet data shown in Exhibit 3, approximately 91.4 percent of all assessment area businesses have gross annual revenue of less than or equal to \$1.0 million.

⁴ California Association of Realtors®, *Trends in California Real Estate*, Volume 31, Number 1, January 2010.

⁵ Bureau of Labor Statistics (Haver Analytics), created on March 16, 2010 (accessed on May 13, 2010).

⁶ Moody's Economy.com, Précis METRO, San Luis Obispo Metro Area, April 2008 to December 2009.

During the review period, the impact of the financial crisis was experienced in San Luis Obispo, though, it fared better than many regions of the country. The local economy went from showing signs of weakness (first quarter 2008), to falling into recession (second quarter 2008), to contracting at a moderate pace (second quarter 2009), to showing some signs of improvement (fourth quarter 2009). The housing crisis coupled with decreasing tourism drove the local economy into recession by the second quarter of 2008. Deterioration in both residential and non-residential real estate markets contributed to a reduction in construction permits and significant job cuts in the construction industry. Additionally, local, state, and federal government employees comprise 22.0 percent of the county's workforce. These public sectors experienced budget deficits and implemented pay reductions, layoffs, and, at times, furlough days. One of the county's top employers, California Polytechnic University of San Luis Obispo, implemented furlough days in an attempt to reduce costs.⁷ Overall, unemployment rose from 5.7 percent in 2008 to 8.9 percent in 2009, yet still remained below the state and national 2009 averages of 11.4 percent and 9.3 percent, respectively.⁸

The declining economic conditions during the review period resulted in financial institutions tightening their lending standards and terms on all major loan products. The move toward more stringent lending policies was a trend throughout 2008, but eased measurably by 2009. According to the January 2010 Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve Board of Governors, commercial banks continued to ease tightening standards into the fourth quarter of 2009, but have yet to unwind the considerable tightening that had occurred leading up to this period, with peaks reached in late 2008. However, despite this easing trend, banks indicated that they had tightened terms on commercial real estate loans substantially over 2009, with further tightening during the fourth quarter of 2009.⁹ As the lending standards tightened, community representatives indicated that there was a need for loans to the tourism industry, which San Luis Obispo County relies heavily upon. This industry suffered during the review period, primarily due to the lack of discretionary income during the recession. Representatives also highlighted lower levels of lending by community banks due to weakened capital positions, highlighting a need for non-profit lending and small business development centers, which have experienced cutbacks because of the recession. Other identified community credit needs include loans to small businesses, particularly small dollar and micro loans, and loans for start-up capital.

Furthermore, despite home values declining during the review period, homeownership remains a challenge for the vast majority of San Luis Obispo families. The median home value decreased by 15.0 percent from \$450,000 to \$390,000 from January 2008 to December 2009, respectively.¹⁰ The lowest earning level of the upper-income category, at 120.0 percent of the Department of Housing and Urban Development adjusted median family income, could only marginally qualify for a 30-year fixed rate mortgage of up to \$373,429 with an interest rate of 5.0 percent, no down

⁷ Moody's Economy.com, Précis METRO, San Luis Obispo Metro Area, August 2009.

⁸ Bureau of Labor Statistics (Haver Analytics), *Unemployment Rate, San Luis Obispo County California*; created March 16, 2010.

⁹ Board of Governors of the Federal Reserve System, "The January 2010 Senior Loan Officer Lending Survey on Bank Lending Practices" (accessed on September 22, 2010) available at <http://www.federalreserve.gov>.

¹⁰ California Association of Realtors®, *Trends in California Real Estate*, Volume 31, Number 2, February 2008 and Volume 31, Number 1, January 2010.

payment, and no existing debt.¹¹ With these results, home prices are obviously out of reach for low-, moderate- and even middle-income families and, as such, affordable housing is a critical need in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN SAN LUIS OBISPO

Overall performance under the lending test is reasonable. The loan-to-deposit ratio and the level of lending within the assessment areas indicate that the bank is effectively engaging in lending activities within its defined markets. The overall lending distributions by geography and business revenue demonstrated a reasonable level of lending across different geographic areas and an excellent penetration to businesses of different sizes. Performance was most notable in small business loans made in moderate-income census tracts and the level of lending to small businesses.

Lending Distribution by Geography

The geographic distribution of small business loans is reasonable. Exhibit 4 shows that small business loans were extended in all income geographies, with no conspicuous gaps in lending patterns. Small business lending exceeded the percentage of business entities and the level of aggregate lending in moderate-income geographies. Overall, this performance is attributable to the location of the branches – one in a moderate-income tract and the other two in middle-income tracts.

EXHIBIT 4			
GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Moderate	21.1	19.1	14.9
Middle	68.9	68.1	66.7
Upper	10.1	12.9	18.4

Lending Distribution by Business Revenue

Lending distribution of small business loans demonstrated excellent penetration among businesses of different sizes with a significant level granted to small businesses. While levels were below the concentration of small businesses, they were more than double the aggregate lending levels. In addition, a large percentage of small business loans were made in small amounts, thus meeting an identified credit need within the community.

¹¹ CNN Money “How Much House Can You Afford?” (accessed May 3, 2011), available from <http://cgi.money.cnn.com/tools/houseafford/houseafford.html>.

EXHIBIT 5 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS						
Businesses with Revenue <= \$1 Million		Originations Regardless of Revenue Size by Loan Amount			Aggregate Lending	
Bank Lending (%)	All Businesses (%)	<=\$100K (%)	> \$100K and <=\$250K (%)	> \$250K and <=\$1M (%)	All Loans	Revenue <= \$1 Million (%)
69.7	91.4	52.6	22.4	25.0	5,357	31.0

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

For each assessment area where a limited-scope review was performed using the examination procedures.

SLB's performance in the assessment area receiving a limited review is generally consistent with the areas receiving a full-scope review. Due to a smaller presence and lower percentage of loan and deposit activity, performance within this assessment area received less weight than the full-scope assessment areas. Consequently, performance in this assessment area did not materially affect the bank's overall lending and community development test performance.

ASSESSMENT AREA	LENDING TEST
Northern Santa Barbara	Consistent

SLB's CRA performance in the Northern Santa Barbara assessment area was consistent with the performance in the full-scope assessment area. Performance was most notable in small business loans made in moderate-income census tracts, which exceeded both the concentration of businesses in these census tracts and aggregate lending. While no loans were made in low-income census tracts, the lack of penetration is reasonable given the low level of business concentrations in the two low-income census tracts, as well as the distance from the bank's branch to the one tract that accounts for most of these businesses. In addition, the bank's distribution of small business loans to borrowers of different revenues was reasonable.

Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

APPENDIX A

GLOSSARY OF TERMS

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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, which 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).

Full-scope review: Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of 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.

Limited-scope review: Performance under the lending, investment, and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

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

APPENDIX B

LIMITED-SCOPE ASSESSMENT AREA MARKET PROFILE

Northern Santa Barbara

The Northern Santa Barbara assessment area consists of northern Santa Barbara County. The area consists of 40 census tracts and is part of the Santa Barbara-Santa Maria-Goleta MSA. It is bordered by San Luis Obispo County to the north, the Pacific Ocean to the west, Ventura County to the east, and the Santa Ynez River to the south, which includes the communities of Buelton, Guadalupe, Las Alamos, Lompoc, Orcutt, Mission Hills, and Santa Maria. As of 2009, Santa Barbara County had a population of 432,981.¹

SLB has a small portion of the overall market. SLB operates one of its four branches in San Luis Obispo and, as of June 30, 2009, the bank held \$20.2 million in deposits, representing less than one percent of the market share and ranking 13th out of 16 institutions insured by the FDIC that are operating 37 offices in this assessment area.² Additionally, in 2009, there are 35 lenders reporting small business loans, pursuant to the reporting requirements of the CRA, most of which were large multi-national and regional banks, thrifts, and credit unions. These institutions, which represent only a portion of the overall commercial lending market, extended 1,988 small business loans.

The following exhibit presents key demographic and business information, based on the 2000 U.S. Census and 2009 Dun and Bradstreet data.

¹ Employment Development Department, California Labor Market Info, (accessed September 21, 2010), available at <http://www.labormarketinfo.edd.ca.gov>.

² Federal Deposit Insurance Corporation, Institution Directory, Summary of Deposits, June 30, 2009, (accessed on May 13, 2010); available at: <http://www3.fdic.gov/sod>.

EXHIBIT 6								
ASSESSMENT AREA DEMOGRAPHICS								
NORTHERN SANTA BARBARA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	5.0	2,824	6.6	844	29.9	10,913	25.4
Moderate-income	16	40.0	16,520	38.4	2,731	16.5	9,433	21.9
Middle-income	19	47.5	20,450	47.6	1,131	5.5	9,464	22.0
Upper-income	3	7.5	3,193	7.4	108	3.4	13,177	30.7
<i>Total AA</i>	<i>40</i>	<i>100.0</i>	<i>42,987</i>	<i>100.0</i>	<i>4,814</i>	<i>11.2</i>	<i>42,987</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	3,818	730	2.1	19.1	2,920	76.5	168	4.4
Moderate-income	23,348	9,507	27.5	40.7	12,597	54.0	1,244	5.3
Middle-income	27,508	21,037	60.7	76.5	5,738	20.9	733	2.7
Upper-income	4,217	3,358	9.7	79.6	733	17.4	126	3.0
<i>Total AA</i>	<i>58,891</i>	<i>34,632</i>	<i>100.0</i>	<i>58.8</i>	<i>21,988</i>	<i>37.3</i>	<i>2,271</i>	<i>3.9</i>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	412	6.0	377	6.0	19	5.0	16	5.8
Moderate-income	2,466	35.6	2,213	35.3	134	35.1	119	43.0
Middle-income	3,625	52.4	3,286	52.5	211	55.2	128	46.2
Upper-income	421	6.1	389	6.2	18	4.7	14	5.1
<i>Total AA</i>	<i>6,924</i>	<i>100.0</i>	<i>6,265</i>	<i>100.0</i>	<i>382</i>	<i>100.0</i>	<i>277</i>	<i>100.0</i>
Percentage of Total Businesses			90.5		5.5		4.0	
2004 Median Family Income			\$54,109		December 2009 Median Housing Value ³		\$325,500	
2009 HUD Adjusted Median Family Income			\$70,400		2009 Unemployment Rate ⁴		8.4%	

³ California Association of Realtors®, *Trends in California Real Estate*, Volume 31, Number 1, January 2010.

⁴ Bureau of Labor Statistics (Haver Analytics), created on March 16, 2010 (accessed on May 13, 2010).

EXHIBIT 7			
GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Low	0.0	6.0	4.2
Moderate	41.0	35.6	30.0
Middle	57.4	52.4	56.5
Upper	1.6	6.1	9.3

EXHIBIT 8						
BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS						
Businesses with Revenue <= \$1 Million		Originations Regardless of Revenue Size by Loan Amount			Aggregate Lending	
Bank Lending (%)	All Businesses (%)	<=\$100K (%)	> \$100K and <=\$250K (%)	> \$250K and <=\$1M (%)	All Loans	Revenue <= \$1 Million (%)
46.0	90.5	54.1	27.0	18.9	1,988	31.9