

PUBLIC DISCLOSURE

June 7, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Point Loma Community Bank
57808**

**1350 Rosecrans Street
San Diego, California 92106**

**Federal Deposit Insurance Corporation
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Chicago, Illinois 60661**

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 of **Point Loma Community Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **June 7, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Point Loma Community Bank's (PLCB) overall CRA performance depicts a satisfactory practice of providing for the credit needs of its designated assessment area. The overall rating considered the bank's commercial small business and consumer real estate loans extended during 2005 through the first quarter of 2006. This was the initial full-scope CRA evaluation of the bank.

This analysis determined the bank's use of its deposit products to fund loans within its assessment area is satisfactory and consistent with the bank's business plan, its limited tenure, market demand, and competition. A majority of loans by number and dollar volume are made within the bank's assessment area. The bank's lending patterns of commercial loans to small businesses of differing sizes is well distributed, with a majority of penetration to those businesses with revenues under \$1 million. PLCB's loan penetration to small businesses residing in different income geographies within its assessment area is reasonably distributed in relation to the demographics of the bank's market, market share, consumer demand, and its limited tenure.

The bank's lending patterns of consumer real estate loans to borrowers of different incomes and those residing in different income geographies are also sufficiently correlated with the demographics of its assessment area and the bank's limited tenure, demand characteristics, and limited originations of consumer real estate loans.

Also during the assessment period the bank funded a \$726 thousand qualified community development loan, representing its share as a participant in a \$2.2 million interim construction loan for a 14 unit housing complex located in a designated redevelopment zone within San Diego.

The CRA examination findings indicated no evidence of discriminatory practices or disparate treatment concerning borrowers belonging to any of the protected classes, or any other borrower or customer. The bank has policies, procedures, and training programs in place to prevent discriminatory or other illegal credit practices.

DESCRIPTION OF INSTITUTION

Point Loma Community Bank began operations in August 2004 as a full-service community bank that operates out of a single location in the San Diego community of Point Loma, California. The bank offers a full range of loan and deposit products primarily targeted to small and medium sized businesses and professionals throughout the greater San Diego area. To a lesser degree, the bank also originates a variety of consumer mortgage products, both directly, and as a broker on behalf of the bank's mortgage broker affiliate, Amera Mortgage located in Michigan.

The bank is majority owned by first tier parent Capital Bancorp Limited (51 percent), with the remaining shares distributed between eleven other individuals, including ten bank board members. Capital Bancorp is a multi-bank holding company that owns 44 community banks in 13 states across the country. Capital Bancorp is a publicly traded company with assets over \$3.6 billion. The bank's second-tier parent, First California Southern, was formed in 2002 as a subsidiary of Capital Bancorp to hold Point Loma bank.

As of March 31, 2006, the bank had total assets of \$39.8 million with \$32 million, or 81 percent representing total loans. As detailed below the largest loan product is commercial and commercial real estate loans, comprising 67 percent of the total loan portfolio. PLCB had total deposits of \$32.9 million consisting of all types. The following table shows the detail of the bank's loan portfolio:

PLCB's Loan Distribution as of March 31, 2006		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Commercial	\$11,287	35
Commercial Real Estate	\$10,113	32
Residential Real Estate	\$5,988	19
Construction/Land Development	\$4,644	14
Other Loans	\$26	nom
Consumer Loans	\$14	nom
Total Loans	\$32,072	100

Source: March 2006 Call Report

DESCRIPTION OF THE ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires banks to identify one or more assessment areas within which its regulating agency will evaluate the bank's performance. In most cases, an institution's assessment area will be the towns, counties, census tracts or some other political subdivision in which its branches are located and a substantial portion of its loans are made. Assessment areas always consist of one or more census tracts, which are statistical subdivisions of a county.

SAN DIEGO COUNTY

PLCB has designated its assessment area to be San Diego County in California. This area is appropriate as a majority of the bank's lending is contained in this county and meets the requirements of the regulation. San Diego County is part of the San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area (MSA) #41740. The following table shows the demographic characteristics of the county.

SAN DIEGO COUNTY DEMOGRAPHICS					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	605	8	22	38	32
Population by Geography	2,813,833	8	24	38	30
Owner-Occupied Housing by Geography	551,489	2	14	41	43
Business by Geography	216,027	5	22	37	36
Family Distribution by Tract Income Level	669,102	21	18	20	41
Distribution of Low and Moderate Income Families throughout AA geographies.	260,483	13	35	36	16
2005 HUD Adjusted MFI for San Diego County	62,900		Median Housing Value - SL		229,602
Percent of Households Below Poverty Level	10		Unemployment Rate		2.78%

Source: 2000 US Census and 2005 HUD updated MFI

Population and Employment

San Diego County is the southern-most county in California. The population exceeds 3.5 million people and there are 1.3 million wage and salary jobs located in the county. The per capita income is \$36,000 which is above the state average. The fastest growing cities include San Marcos, National City, and Chula Vista with population growth rates exceeding 4 percent. The city of San Diego's growth rate is 1.1 percent. The north county area is still growing faster than the city of San Diego or the south county areas, due to greater housing production between Carlsbad, Poway, and the northern county border.

The principal employment clusters in San Diego County are the defense contractors, computer and electronics manufacturing, healthcare services, and tourism, with the U.S. Navy as the largest employer. San Diego continues to lead California and the U.S. in job growth and employment and population will continue to grow at a healthy rate in San Diego County over the next five years. Job growth is not concentrated in any single industry which buffers the area's economy in volatile times. The northern end of the county is expected to dominate growth in San Diego County, but population and residential development in the city of Chula Vista, south of San Diego, has recently accelerated and is also expected to grow rapidly.

Regional employment growth will remain relatively flat for 2006 at between 1.7 and 2 percent. San Diego's current full employment leaves little room for employment growth in the coming years. Since employment is virtually at capacity, relative to the size of the labor pool, employment growth will be limited to the growth of the labor pool, roughly 2 percent per year.

Housing and Housing Affordability

San Diego County's high housing prices, coupled with its relatively low wages, make it the third least affordable major metropolitan area in the country. According to a Public Policy Institute of California survey, the cost of housing is one of the biggest issues on the minds of California residents. A majority of residents see the lack of affordable housing as a bigger issue than population growth, the lack of well-paying jobs, or air pollution. To afford a median-priced house today in San Diego, at \$550,000, buyers need an annual income of about \$134,000, assuming a 10 percent down payment and a 30-year fixed-rate financing at current interest rates. But according to HUD, the estimated median family income of the county is \$62,900; less than half of what is needed to afford a median-priced home here in the county. The median price for existing houses for December 2005 was \$550,000 as compared to a national median price of \$211,000. The average new detached home in San Diego County sells for \$861,759. Meanwhile, in the past six years the median household income in San Diego increased only 21 percent for a family of four.

The average apartment rent in San Diego is \$1,254, nearly a 100 percent increase from 1990, when average rents were \$643. Nearly all the apartment units being constructed are in the luxury category, with units built since 1998 averaging \$1,581 per month, compared to \$1,091 for units built prior to 1998, reflecting a 45 percent premium for newer units. The region's apartment rental vacancy rate is currently 4.4 percent, while the national apartment vacancy rate is currently at 9 percent. Household credit quality trends are somewhat troublesome and indicate increasing stress among households.

Manufacturing and Technology

San Diego's industrial production is strong and continues to lead the U.S., at 6 percent, driven by manufacturing output largely based on defense-related aerospace and ship building activity. Defense contracting is supported by General Atomic's unmanned Predator aerial vehicle and several ammunition ships being built by NASSCO. The transformation of the United States' defense system from cold-war industrial buildup to modern high-tech military transformed San Diego's military operations and defense contracting work. Despite past cutbacks and downsizing, the military's presence and commitment to San Diego remains, if anything, greater than ever as the Navy's principal location for West Coast and Pacific Ocean operations. San Diego is also home to the only few remaining shipyards on the West Coast able to build and repair large Navy ships.

The San Diego-based Space & Naval Warfare Systems Command (SPAWAR) administers several billions of dollars in contract work for local companies. The command is primarily responsible for equipment needed for modern warfare and surveillance, including naval space systems, communications, and information technology. Also, both Hamilton Sundstrand and Goodrich are producing components in San Diego for the new Boeing 787 commercial airliner, which has a solid list of orders over the next three years.

The economy will be further driven by tech-producing industries. Genentech recently bought a second building in Oceanside to accommodate an expanding payroll working on new drug development projects. Electronics adds another support for the economy as exemplified by Qualcomm, whose earnings are rising based on three consecutive quarters of rising microchip shipments.

Mexico and Canada, U.S. partners under the North American Free Trade Agreement (NAFTA), dominate San Diego's export markets by far accounting for more than one-half (55 percent) of all export production. San Diego clearly benefits from NAFTA, not only because the agreement further opened up the markets of its two largest customers, but also because Tijuana and Baja California, its border and economic partner, was greatly benefited and stimulated by heightened trade and dollars flowing to the region.

Mexico and NAFTA are key factors in San Diego's continued economic prosperity, export production and growth. International trade accounts for more than one-third (37 percent) of San Diego manufacturing dollars. Manufacturing remains the largest economic sector for local dollars generated, with electronics, computers and industrial machinery, aerospace and shipbuilding, and instruments leading local production.

Travel and Tourism

The multi-billion dollar visitor industry has also been an important sector of economic power and stability. The visitor industry is San Diego's third largest economic sector, behind only manufacturing and military/defense. Hotel occupancy rates rose throughout 2005, although they still remain below rates seen prior to 2001 recession. Room rates are rising, but only slowly, as there remains considerable competition. Two factors will work to change the lodging industry in the short-term.

First, is the proposed Gaylord mega resort in the area. Second, is a significant rise in demand for upscale hotels. This could help generate higher employment and wage growth in the industry, and greater spending per visitor. The one long-term factor still hampering travel and tourism is the lack of any viable alternative to the overextended San Diego airport.

Community Contact Information

Two community contacts performed in conjunction with other CRA performance evaluations within the past year were reviewed. One contact, an organization that offers assistance to small businesses, stated that there is a need for small business funds for capital, equipment, and leasehold improvements in smaller dollar amounts of \$50 thousand or less. This contact further stated that challenges for small businesses include the lack of education, background, and experience to develop a formal business plan. The second contact, an organization that assists in the affordable housing and community development for low-income households, stated that there remains a need for affordable housing in San Diego County, especially in the conversion of affordable apartment units to condominiums. This contact further stated that the greatest production gap is in the need for multi-family housing where housing production has not kept pace with housing needs, especially for renter households and low-income owner households.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To assess the institution's performance with respect to the Community Reinvestment Act (CRA), the four following performance areas are analyzed:

- **The bank's average quarterly loan to deposit ratio**
- **Lending within its assessment area**
- **Lending to businesses of different sizes and to borrowers of different incomes**
- **Geographic distribution of loans**

The bank's lending performance reveals that it is responsive to identified credit needs existing within the assessment area. This was determined by evaluating the bank's performance under the above noted criteria. Of these criteria, more weight was placed on the volume of lending to small businesses with gross annual revenue of \$1 million or less and geographic distributions of loans in low- and moderate-income areas.

LOAN TO DEPOSIT RATIO

PLCB's loan-to-deposit ratio is more than reasonable given the bank's size, competition, tenure, and assessment area credit needs.

This performance factor measures the extent to which the bank utilizes its deposit resources to extend credit. PLCB's ratios for the first seven quarters of operations are depicted below:

9/30/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/2005	3/31/06
22%	63%	63%	77%	93%	107%	96%

Source: Bank Call Reports

Average Loan to Deposit Ratio since Opening: 74 percent

Average Loan to Deposit Ratio Last Four Quarters: 93 percent

The bank's average ratio has been increasing rather steadily since beginning operations, culminating in its current examination ratio of 96 percent. The last three quarters, in particular, shows the bank is sufficiently utilizing its resources to grant credit. Further as a comparison, the bank's current ratio is in line with four local peer group banks that have loan to deposit ratios ranging from 80 percent to 106 percent. PLCB ranks 61st out of 67 banks in San Diego County for deposit market share at 0.06 percent of total institution deposits.

Interstate Banking and Branching Efficiency Act (IBBEA) – IBBEA prohibits a bank from establishing or acquiring a branch outside of its home state with the primary purpose of deposit production. To determine if this is evident, IBBEA compares a bank's statewide loan-to-deposit ratio to the host state's loan-to-deposit ratio for a particular state. If the bank's statewide ratio is at least one-half of the host state's ratio, the bank has complied with IBBEA. The bank's loan-to-deposit ratio, at 96 percent, well exceeds 51 percent of its host state California's ratio of 40 percent.

CRITERIA FOR REMAINING PERFORMANCE FACTORS

The bank's performance over the following remaining criteria was determined from analysis of both its commercial loan and Home Mortgage Disclosure Act (HMDA) consumer real estate portfolios. These portfolios were chosen because the bank's commercial loan portfolio represents the bank's primary product, at 67 percent of total loans, and a bank's HMDA portfolio distribution is always analyzed for CRA purposes. This analysis covers all commercial loans originated in 2005 and year-to-date 2006 through March 31, and all HMDA loans originated during 2005 as there have been no HMDA originations, to date in 2006. These loan portfolios were analyzed with respect to:

- **Lending Within Its Assessment Area**
- **Lending to Businesses of Different Sizes and Borrowers of Different Incomes**
- **Geographic Distribution of Loans**

Commercial Loan Universe: The commercial loan universe for the assessment period consisted of 57 loans totaling \$16,848,000 for 2005 and 28 loans totaling \$4,940,000 for the first quarter of 2006. Therefore, the total commercial sample consisted of 85 loans totaling \$21,788,000. These loans consisted of commercial and commercial real estate loans.

HMDA Consumer Real Estate Universe: The HMDA consumer real estate universe for the assessment period consisted of 13 loans totaling \$4,502,000, all originated in 2005. These loans consisted of single-family residential purchase and non purchase first and second trust deed loans.

Other Loan Products: The construction/land development, other loans, and consumer loans were not included in the CRA lending analysis because of the limited volume of lending in these loan types (14 percent.)

LOANS INSIDE/OUTSIDE THE ASSESSMENT AREA

This performance criteria measures the degree in which a bank lends within its designated assessment area. Using the previously described portfolios, the following table shows the percentage of loans, by number and dollar volume, that the bank extended within its assessment area.

The distribution of small business loans inside and outside the assessment area reflects a substantial majority of loans originated within the bank's assessment area. The level of loans within the bank's assessment area reflects a strong lending activity when considering the bank's age, location, and competition.

Distribution of Loans Inside and Outside of the Bank's Assessment Area										
Loan Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	68	80	17	20	85	16,591	76	5,197	24	21,788
Consumer Real Estate	11	85	2	15	13	4,332	96	170	4	4,502
Combined Totals	79	81	19	19	98	20,923	80	5,367	20	26,290

Source: Bank Records

Overall, the bank extends a sizeable majority of its loans by number and dollar within its assessment area, at 81 and 80 percent, respectively.

The analysis of the remaining performance factors only consider loans made within the bank's assessment area.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOMES

PLCB has a reasonable penetration of lending to small businesses and residential real estate, based on the particularly favorable volume of small business loans to businesses with revenues of \$1 million or less and to low- and moderate-income individuals. This factor is weighted most heavily in the analysis, as it is the best indication of lending volume to small businesses and consumers.

Small Business

Small business loans are defined for CRA purposes as those loans made to businesses, including farms, with annual gross revenues of \$1 million or less and \$500 thousand or less, respectively. To determine the bank's commercial loan revenue distribution, only loans made **within** the bank's assessment area was analyzed.

- For this assessment period the small business loans numbered 68 loans at \$16.6 million, representing 80 percent of all commercial and commercial real estate loans originated during this time period, by number. This performance is also compared to Dun & Bradstreet June 2005 information on small businesses in San Diego, California.

Small Business Loan Revenue Distribution					
Gross Annual Business Revenues	Dun & Bradstreet % of Businesses	Number of Loans	Percent by Number	\$ Amount of Loans (000s)	Percent by \$ of Loans
Revenues <= \$1 million	92	50	74	11,109	67
Revenues > \$1 million	8	15	22	4,356	26
Revenues Not Used In Credit Decision	NA	3	4	1,126	7
Totals	100	68	100	16,591	100

The table above reflects a reasonable loan penetration to businesses of different sizes, with a majority of loans by number and dollars made to small businesses under \$1 million. Comparing the bank's small business performance to Dun & Bradstreet gross annual revenue information, reveals that the bank is not penetrating the \$1 million or less category at percentages equal to the number of small businesses reporting that gross annual income. However, this performance is commensurate with the size of the bank, its tenure, location, and area competition. Further, an analysis of the respective underlying loan sizes to businesses showed that 42 percent of loans by number were in amounts below \$250,000.

Residential Real Estate

The following table provides the geographic distribution of HUD estimated Median Family Income (MFI) for San Diego County as derived from 2000 US Census data.

Median Family Income Geographic Distribution for San Diego County		
Income Level	Percent of 2005 MFI for San Diego, CA	2005
		MFI - \$62,900
Low	Less than 50	< 31,450
Moderate	50 to 80	31,450 – 50,319
Middle	80 to 120	50,320 – 75,480
Upper	120 and Over	> 75,480

These values are used to compare against bank lending patterns in this assessment area. The following table reflects the lending distribution of consumer real estate loans originated during 2005 within the assessment area. In addition, the table includes the percentage of total families within each income level according to 2000 census data.

Distribution of Residential Real Estate by Borrower Income							
PLCB Consumer Real Estate Loan Sample					Per 2000 Census		
Borrower Income Level	Number of Loans	Percent by Number	\$ Amount of Loans (000s)	Percent by Dollar	Assessment Area Income % by Families	Assessment Area Tracts % by Population	Assessment Area Tracts % by #
Low	0	0	0	0	21	8	8
Moderate	2	18	305	7	18	24	22
Middle	0	0	0	0	20	38	38
Upper	9	82	4,027	93	41	30	32
Totals	11	100	4,332	100	100	100	100

Sources: 2000 US Census, HUD updated MFIs

As the table shows, the bank has predominately extended mortgage credit thus far to upper-income individuals. To a lesser degree but highly correlated to the respective assessment area demographics, the bank has extended loans to moderate income borrowers as well. Low- and middle-income borrowers have not been penetrated to this point.

While it appears the mortgage lending is concentrated in the upper-income sectors, this pattern is reflective of the bank's upper-income local market of Point Loma, a mortgage demand predominately generated by high-income individuals, high existing, and new housing prices in the assessment area, and the limited loan volume for this product. As the bank generates more mortgage volume, its loan patterns will likely better correlate with the overall county income demographics of families and population that is reflected in the above table. However, because of the bank's local upper-end market, lending will always tend to be skewed to the high-income borrowers.

LENDING TO BUSINESSES IN DIFFERENT GEOGRAPHIES

PLCB's geographic distribution of loans reflects a reasonable penetration throughout the assessment area, given the bank's operational age, asset size, and location. A bank's geographic distribution of lending is evaluated to determine how well the institution is serving geographies of different income levels, particularly low- and moderate-income census tracts. No unexplained lending gaps were identified.

PLCB Assessment Area Census Tract Characteristics

As determined by the 2000 US Census, PLCB's assessment area is comprised of 605 census tracts, with 48 being low income, 136 being moderate income, 228 being middle income, and 190 being upper-income. Three tracts do not have available data.

Small Business

The following table compares the bank's small business lending patterns against certain applicable assessment area characteristics:

Distribution of Small Business Loans by Census Tracts							
PLCB Small Business Loans					Per 2000 Census		
Census Tract Income Level	Number of Loans	Percent by Number	\$ Amount of Loans (000s)	Percent by Dollar	Geographic Distribution of Small Businesses %	Assessment Area Tracts % by pop.	Assessment Area Tracts % by #
Low	2	3	690	4	5	8	8
Moderate	7	10	993	6	22	24	22
Middle	31	46	7,629	46	37	38	38
Upper	28	41	7,279	44	36	30	32
Totals	68	100	16,591	100	100	100	100

Sources: 2000 US Census, HUD updated MFIs, and 2005 Dun & Bradstreet

The above table shows the bank's overall geographic distribution of commercial loans is sufficiently correlated to the income tract characteristics of its assessment area. The bank has penetrated all ranges of census tracts within its assessment area, and to a significant degree, those businesses located in low and moderate income geographies.

Residential Real Estate

The following table reflects the bank's residential real estate lending within the various income geographies, and as a comparison with the demographics of the various census tracts in the assessment area.

Distribution of Consumer Real Estate by Tract Income Geography							
PLCB Consumer Real Estate Loan Sample					Per 2000 Census		
Census Tract Income Level	Number of Loans	Percent by Number	\$ Amount of Loans (000s)	Percent by Dollar	Assessment Area Tracts % by #	Assessment Area Tracts % by pop.	Assessment Area Tracts % by Families
Low	1	9	742	17	8	8	21
Moderate	2	18	461	11	22	24	18
Middle	2	18	584	13	38	38	20
Upper	6	55	2,545	59	32	30	41
Totals	11	100	4,332	100	100	100	100

The table shows the bank extended residential real estate loans to all geographical income tracts of its assessment area and that its patterns are significantly reflective of the demographics and the areas of demand for consumer real estate loans in the bank's trade area, particularly in the low- and moderate-income tracts.

COMMUNITY DEVELOPMENT ACTIVITIES

During the assessment period, the bank participated in a \$2.2 million loan to purchase and renovate a 14 unit multi-family apartment complex for sale as individual condominiums. The bank's share in the project is **\$726,000**. The project, known as Cottage Villas Condominiums, is located in the San Diego community of El Cajon, within the State designated Redevelopment Zone.

RESPONSE TO WRITTEN COMPLAINTS

No CRA related complaints were received since the bank began operations in 2004.