

PUBLIC DISCLOSURE

September 23, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Choice Bank

RSSD # 3374878

**17785 Center Court, Suite 750
Cerritos, California, 90703**

**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 the 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	1
Institution's Community Reinvestment Act (CRA) Rating	1
INSTITUTION	2
Description of Institution	2
Scope of Examination	3
LENDING TEST.....	3
COMMUNITY DEVELOPMENT TEST.....	3
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	4
Lending Test	4
LOAN-TO-DEPOSIT RATIO	4
LENDING IN ASSESSMENT AREA	4
GEOGRAPHIC AND BORROWER DISTRIBUTION.....	4
RESPONSE TO COMPLAINTS.....	5
Community Development Test.....	5
Fair Lending or Other Illegal Practices Review.....	6
FULL-SCOPE ASSESSMENT AREA CONCLUSIONS	7
Los Angeles-Orange Assessment Area.....	7
DESCRIPTION OF OPERATIONS IN LOS ANGELES-ORANGE	7
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES-ORANGE.....	15
LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS	18
APPENDICES	
Appendix A: Glossary of Terms	
Appendix B: Limited-Scope Assessment Area Market Profiles	

INSTITUTION RATING

Institution’s Community Reinvestment Act (CRA) Rating First Choice Bank is rated "Outstanding"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING	X	X
SATISFACTORY		
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution’s rating include:

- A more than reasonable loan-to-deposit ratio;
- A substantial majority of loans originated within the bank’s assessment areas;
- An excellent geographic distribution of small business loans with strong penetration across low- and moderate-income census tracts in each of the bank’s assessment areas;
- A reasonable distribution of loans to businesses of different revenue sizes; and
- Excellent responsiveness to community development needs in the bank’s assessment areas, specifically helping to address the needs for economic development and affordable housing.

INSTITUTION

Description of Institution

First Choice Bank (FCB or the bank) is headquartered in Cerritos, California, and had total assets of \$1.7 billion as of June 30, 2019. FCB is a state-chartered commercial bank that opened on August 8, 2005, and operates nine branches and two loan production offices in Los Angeles, Orange, and San Diego counties within the state of California. The bank is wholly-owned by First Choice Bancorp and became a member of the Federal Reserve System on October 1, 2018.

FCB has traditionally operated in Los Angeles and Orange counties. However, the bank has recently expanded its footprint into San Diego County. In October 2017, FCB opened its first branch location in San Diego County in Carlsbad, California. Subsequent to this branch opening, First Choice Bancorp acquired Pacific Commerce Bancorp in August 2018. Through this acquisition, the bank added another branch and loan production office in San Diego County as well as one branch location in Los Angeles County.

FCB provides commercial banking products and services primarily to small- to medium-sized businesses. The bank's loan portfolio is primarily focused on commercial and industrial loans and commercial real estate loans. In addition, FCB is a Preferred Small Business Administration (SBA) lender. The bank also offers a variety of personal and business deposit accounts.

Exhibit 1 below depicts FCB's loan portfolio as stated in the Consolidated Reports of Condition and Income as of December 31, 2018, and illustrates the bank's commercial lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2018		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	842,635	65.9
Construction & Land Development	205,543	16.1
Secured by 1-4 Family Residential Real Estate	196,898	15.4
Multi-Family Residential Real Estate	25,111	2.0
All Other	7,731	0.6
Farm Land & Agriculture	930	0.1
Consumer Loans & Credit Cards	155	0.0
Total (Gross)	1,279,003	100.0

FCB revised its assessment area definitions since its prior CRA examination as a result of the bank's expansion into San Diego County. The bank now delineates two assessment areas, as follows:

- Los Angeles-Orange Assessment Area: This area includes Los Angeles and Orange counties, which is also known as the Los Angeles-Long Beach-Anaheim, California Metropolitan Statistical Area (MSA).
- San Diego Assessment Area: This area includes the entirety of San Diego County, which is also known as the San Diego-Chula Vista-Carlsbad, California MSA.

FCB faced no legal or financial impediments during the review period that would prevent it from helping to meet the credit needs of its assessment areas consistent with its business strategy, size, financial capacity, and local economic conditions. The bank received a satisfactory rating at its previous CRA examination conducted by the Federal Deposit Insurance Corporation (FDIC) as of January 25, 2016, using the Interagency Intermediate Small Institution Examination Procedures.

Scope of Examination

FCB's performance was evaluated using the Interagency Intermediate Small Institution CRA Examination Procedures. As such, performance was assessed under the lending test and community development test. The Los Angeles-Orange assessment area received a full-scope review due to the concentration of the bank's branches and the level of lending activities and community development opportunities available within this area. The San Diego assessment area received a limited-scope review based on FCB's relatively new expansion into this area as well as its limited footprint relative to the Los Angeles-Orange assessment area.

LENDING TEST

The lending test portion of the evaluation was based on the following performance criteria:

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

FCB's responsiveness to consumer complaints was not evaluated as the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business loans originated in amounts of \$1 million or less and loans reported under the Home Mortgage Disclosure Act (HMDA). The analysis for small business loans was based on a sample of 59 small business loans originated from January 1, 2018 through December 31, 2018. The analysis for HMDA-reportable loans was based on a universe of 25 loans originated from January 1, 2016 through March 31, 2019. On a combined basis, these loans were considered in the evaluation of *Lending in the Assessment Area*. Although home mortgage loans were considered during the review, the limited volume during the review period did not allow for meaningful analysis of geographic and borrower distribution. As a result, the evaluations of *Lending Distribution by Geography* and *Lending Distribution by Business Revenue* was limited to 40 small business loans that were originated within the bank's Los Angeles-Orange assessment area and 11 small business loans that were originated within the San Diego assessment area.

COMMUNITY DEVELOPMENT TEST

The community development test included an evaluation of the bank's qualified community development loans, investments, and services from January 26, 2016 through September 23, 2019.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

FCB's performance under the lending test is outstanding. Lending levels are more than reasonable with a substantial majority of loans originated within the bank's assessment areas. The bank's small business lending demonstrated strong penetration in low- and moderate-income census tracts in both assessment areas. In addition, the borrower distribution of small business loans is reasonable.

LOAN-TO-DEPOSIT RATIO

FCB's loan-to-deposit ratio is more than reasonable. The bank's 14-quarter average loan-to-deposit ratio was 97.8 percent as of June 30, 2019. This ratio exceeded the state average and national peer loan-to-deposit ratios of 85.3 percent and 83.0 percent, respectively.

LENDING IN ASSESSMENT AREA

As shown in Exhibit 2 below, a substantial majority of small business and home mortgage loans were extended inside the bank's assessment areas. This level of lending indicates that the bank is effectively engaging in lending activities within its defined markets.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	49	83.1	16,271	76.9	10	16.9	4,886	23.1
Total Business Related	49	83.1	16,271	76.9	10	16.9	4,886	23.1
HMDA Home Purchase	18	100.0	45,066	100.0	0	0.0	0	0.0
HMDA Home Improvement	1	100.0	8,849	100.0	0	0.0	0	0.0
HMDA Refinance	4	100.0	12,498	100.0	0	0.0	0	0.0
HMDA Multifamily	2	100.0	7,616	100.0	0	0.0	0	0.0
Total HMDA Related	25	100.0	74,029	100.0	0	0.0	0	0.0
Total Loans	74	88.1	90,300	94.9	10	11.9	4,886	5.1

GEOGRAPHIC AND BORROWER DISTRIBUTION

FCB's geographic distribution of loans reflects excellent dispersion throughout low- and moderate-income census tracts within the bank's assessment areas. The bank's distribution of loans to businesses of different revenue sizes is reasonable. Lending patterns did not reveal any conspicuous lending gaps and loans were generally concentrated near FCB's branch offices.

RESPONSE TO COMPLAINTS

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

Community Development Test

FCB's performance under the community development test is outstanding. The bank's community development activities demonstrate excellent responsiveness to the community development needs of its assessment areas. FCB engaged in a significant volume of community development loans, investments, and services relative to the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

FCB originated or participated in 51 community development loans totaling more than \$178.0 million. These activities helped to address the needs for affordable housing, promoted economic development, and promoted the revitalization or stabilization of low- or moderate-income geographies. These lending activities were primarily concentrated in the Los Angeles-Orange assessment area, consistent with the bank's geographic footprint.

FCB made 195 investments and donations totaling approximately \$10.0 million. These investments primarily helped to address the need for affordable housing and were largely centered in Los Angeles and Orange counties. In addition, the bank also invested in a small business investment company.

FCB provided 2,534 community development service hours to organizations focused on addressing the needs of low- and moderate-income individuals. Community development services primarily focused on promoting financial literacy for low- and moderate-income individuals through multiple organizations.

Exhibit 3 below presents a summary of FCB’s community development activities during the evaluation period.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Area (s)	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Los Angeles – Orange	39	136,505	2	2,000	197	6,250	102	2484
San Diego	12	41,671	0	0	8	1,715	5	50
Broader Statewide or Regional Area	0	0	0	0	2	1	0	0
Total	51	178,176	2	2,000	207	7,966	107	2534

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, we conducted a review of the bank’s compliance with consumer protection laws and regulations and found no violations of the substantive provisions of anti-discrimination, fair lending, or other illegal credit practice rules, laws, or regulations that were inconsistent with helping to meet community credit needs.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

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

Los Angeles-Orange Assessment Area

DESCRIPTION OF OPERATIONS IN LOS ANGELES-ORANGE

The Los Angeles-Orange assessment area consists of the Los Angeles-Long Beach-Anaheim MSA, which is made up of Los Angeles and Orange counties. Los Angeles and Orange counties are located along the Pacific Coast in Southern California. Los Angeles County is bordered by Kern County to the north, San Bernardino County to the east, Orange County to the south and Ventura County and the Pacific Ocean to the west. Orange County is south of Los Angeles County and is bordered by San Bernardino County to the northeast, Riverside County to the east, San Diego County to the south and the Pacific Ocean to the west. As of 2018, the assessment area had a combined population of 13.3 million people which accounted for one-third of the total population in California.¹

As of June 30, 2018, the assessment area had 121 FDIC-insured commercial institutions operating 2,405 offices.² First Choice Bank operated five branches in the area and held \$758.9 million in deposits, representing 0.14 percent of the deposit market share.³

Exhibit 4 on the following page presents key demographic and business information used to help develop a performance context for the assessment area.

¹ U.S. Census Bureau, Quickfacts, Population Estimates, July 1, 2018; available from: www.census.gov/quickfacts/.

² Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

³ Ibid.

EXHIBIT 4 ASSESSMENT AREA DEMOGRAPHICS LOS ANGELES-ORANGE ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	266	9.1	221,796	7.6	78,727	35.5	709,610	24.4
Moderate-income	821	28.0	788,614	27.1	169,096	21.4	475,277	16.3
Middle-income	760	25.9	773,794	26.6	80,644	10.4	495,608	17.0
Upper-income	1,028	35.1	1,126,100	38.7	50,469	4.5	1,233,043	42.3
Unknown-income	54	1.8	3,234	0.1	609	18.8	0	0.0
Total AA	2,929	100.0	2,913,538	100.0	379,545	13.0	2,913,538	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	340,504	55,545	2.7	16.3	263,439	77.4	21,520	6.3
Moderate-income	1,171,395	366,014	17.6	31.2	739,185	63.1	66,196	5.7
Middle-income	1,187,608	572,472	27.5	48.2	549,469	46.3	65,667	5.5
Upper-income	1,822,595	1,086,537	52.2	59.6	622,692	34.2	113,366	6.2
Unknown-income	19,258	1,462	0.1	7.6	15,607	81.0	2,189	11.4
Total AA	4,541,360	2,082,030	100.0	45.8	2,190,392	48.2	268,938	5.9
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	35,237	5.0	31,472	4.9	3,551	6.2	214	4.5
Moderate-income	137,845	19.7	124,358	19.5	12,699	22.0	788	16.7
Middle-income	179,292	25.6	161,394	25.3	16,827	29.2	1,071	22.7
Upper-income	335,111	47.9	310,596	48.7	22,012	38.2	2,503	53.0
Unknown-income	12,239	1.7	9,526	1.5	2,569	4.5	144	3.1
Total AA	699,724	100.0	637,346	100.0	57,658	100.0	4,720	100.0
% of Total Businesses				91.1		8.2		0.7
2018 Median Family Income ⁴			December 2018 Median Housing Value ⁵					
Los Angeles County			\$62,703	Los Angeles County			\$588,140	
Orange County			\$86,003	Orange County			\$785,000	
2018 HUD Adjusted Median Family Income ⁶			2018 Unemployment Rate ⁷					
Los Angeles County			\$69,300	Los Angeles County			4.7%	
Orange County			\$92,700	Orange County			2.9%	

⁴ FFIEC Median Family Income; available from: <https://www.ffiec.gov/medianincome.htm>.

⁵ California Association of Realtors, Historical Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata>.

⁶ FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/medianincome.htm>.

⁷ Annual Unemployment Rate, U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://data.bls.gov/cgi-bin/dsrv?la>.

Economic Conditions

During the review period, the Los Angeles-Orange assessment area experienced overall economic growth. The area's well-diversified economy and labor market growth contributed to its economic expansion.⁸ Los Angeles County experienced economic expansion due to dynamic job and income growth. Late in the review period in 2019, the business cycle was in a late stage marked by a historic low in the unemployment rate and high average hourly earnings that outpaced the nationwide average.⁹ Primary economic drivers in Los Angeles County were technology, tourism, trade, entertainment, and healthcare.¹⁰ The Ports of Long Beach and Los Angeles are in the midst of a multi-year infrastructure expansion, which spurred investment and supported trade in the area.¹¹ Silicon Beach capitalized on the convergence of entertainment and technology in Los Angeles.¹² Although Silicon Beach was a small portion of the economy, it contributed a large share of high-wage job growth and investment.¹³ Growth in Silicon Beach firms also increased the demand for commercial space and drove new commercial construction in the area.¹⁴ The Los Angeles area completed its cyclical recovery and experienced labor capacity constraints and land shortages late in the review period.¹⁵

Orange County's population grew in the review period from natural increases despite nominal net migration in 2016 and negative net migration in 2017.¹⁶ Highly ranked academic institutions in the area produced a concentrated supply of well-educated labor. Orange County ranked among the top 10 percent in the nation for adults with a bachelor's degree and for residents in the prime of their working years.¹⁷ The University of California, Irvine expanded its infrastructure to house more students and received an influx of funding, which the university's presence as an economic driver for the area and supported private sector growth.¹⁸ Orange County also had strong growth in tourism, healthcare, and technology.¹⁹ Lower gas prices, stronger regional economies, and Disneyland factored into a boost in tourism,²⁰ with visitation hitting a four-year high in 2017.²¹ Investment in Disneyland's new theme park increased the number of new jobs created and drove employment in accommodation and food services in the area.²² Additionally, the demand for medical services²³ coupled with the availability of venture capital grew employment in the healthcare and technology sectors.²⁴ In the county's housing market, there was an increase in single-family permits during the review period to similar levels seen in 2004-2005.²⁵ However, prices remained high and caused a slowdown in home sales during the review period.²⁶

⁸ Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, May 2019.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, August 2017.

¹² Ibid.

¹³ Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, November 2018.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

¹⁷ Ibid.

¹⁸ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2017.

¹⁹ Ibid.

²⁰ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2017.

²¹ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

²² Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2017.

²³ Ibid.

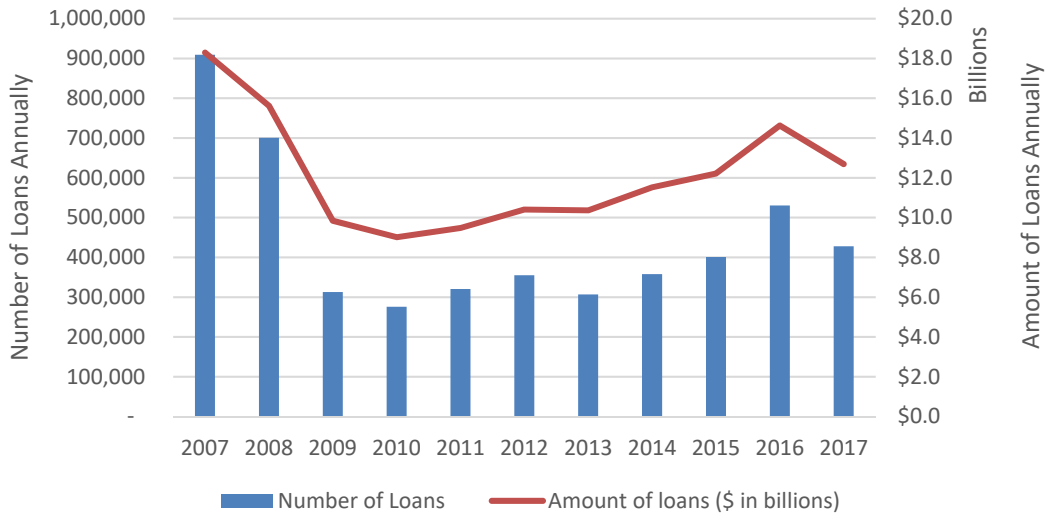
²⁴ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

²⁵ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2017.

²⁶ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

As depicted in Exhibit 5, loans to small businesses from banks subject to the CRA spiked in 2016 then leveled off in 2017 to a similar rate of lending reported in 2015. Lending to small businesses played a critical role in the economy given that small businesses accounted for 91.1 percent of all businesses in the assessment area, as noted in Exhibit 4.

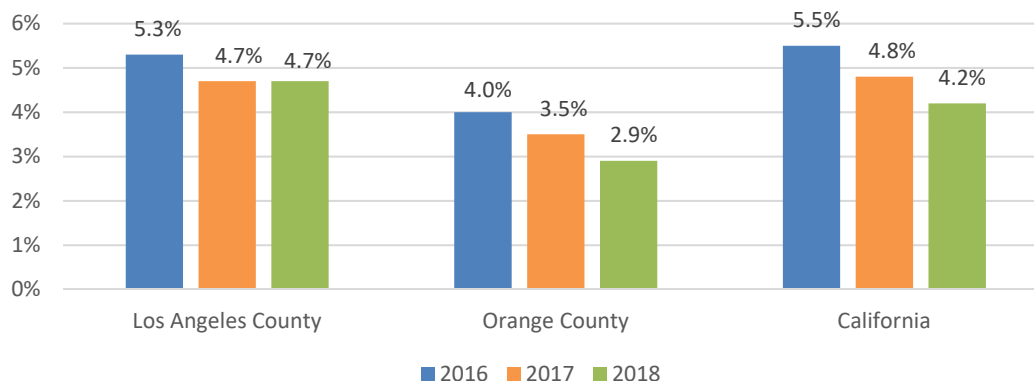
Exhibit 5
Loans to Small Businesses in Assessment Area²⁷
2007-2017



There was a downward trend in the unemployment rates in the assessment area, as shown in Exhibit 6 on the following page. The unemployment rate in Los Angeles County dropped from 5.3 percent in 2016 to 4.7 percent in 2017 and remained stagnant into 2018. Comparatively, Orange County and California overall saw a steady decrease in the unemployment rate in the review period. Orange County had the lowest rate of unemployment than both Los Angeles County and the statewide average.

²⁷ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national/asp>.

Exhibit 6
Unemployment Rate²⁸
2016-2018



As depicted in Exhibit 7 on page 13, the median home price in the assessment area had an upward trend during the review period. Median home prices in Orange County were consistently higher than Los Angeles and the statewide average. In December 2018, the median home price was \$785,000 in Orange County, \$588,140 in Los Angeles County, and \$557,600 in California. The rising home prices in the area left home ownership out of reach for many residents in the area. According to the California Association of Realtors’ Traditional Housing Affordability Index, 24 percent of families in Orange County and 29 percent in Los Angeles County could afford to purchase the median priced home in their region compared to 57 percent of families in the U.S.²⁹

In addition to rising home prices, rental prices increased in the review period. The average rent in Los Angeles County in 2018 reached a record high of \$2,267 per month, the highest of all the Southern California regions.³⁰ In comparison, the average apartment in Orange County was \$2,035 per month.³¹ Both counties had a larger share of residents paying more than 35 percent of their income on rent than the state as a whole (households that spend more than 30 percent of their income on rent are considered cost burdened).³² Overall, rental housing was undersupplied in the assessment area. Los Angeles County had a shortfall of 516,946 affordable rental units to meet the demand of community residents,³³ and Orange County needed 111,996 more affordable rental units.³⁴

²⁸ Annual Unemployment Rate, U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://data.bls.gov/cgi-bin/dsrv?la>.

²⁹ California Association of Realtors, Housing Affordability Index-Traditional, 2019 Q1; available from: <https://www.car.org/en/marketdata/data/haitraditional>.

³⁰ University of Southern California Lusk, Casden Real Estate Economics Forecast, 2018 Multifamily Forecast Report.

³¹ Ibid.

³² U.S. Census Bureau, American Community Survey 1 Yr Estimates, DP04, 2017; available from: <https://factfinder.census.gov>.

³³ California Housing Partnership, Los Angeles County’s Housing Emergency Update, May 2019; available from: <https://chpc.net/>.

³⁴ California Housing Partnership, Orange County’s Housing Emergency Update, May 2019; available from: <https://chpc.net/>.

The homelessness crisis in Los Angeles County deteriorated in the review period to a level more critical than in other large U.S. cities.³⁵ After an increase of 23 percent in the number of people experiencing homelessness between 2016 and 2017, local tax increases were passed to fund more homeless services and construction of shelters and permanent housing.³⁶ Despite some success and an increase in the number of homeless people who moved into permanent housing in 2018, the number of people who became homeless also increased.³⁷ In 2019, 58,936 people in Los Angeles County were homeless, over half were located in the city of Los Angeles.³⁸ The exponential growth of people who were homeless led to concerns of public health, demand for the development of new housing, and a push for addressing housing affordability.³⁹

³⁵ Urban Land Institute, Homelessness, Los Angeles, California, December 2017; available from: https://americas.uli.org/wp-content/uploads/sites/2/ULI-Documents/LosAngeles_Homelessness_PanelReport_WEB_final.pdf.

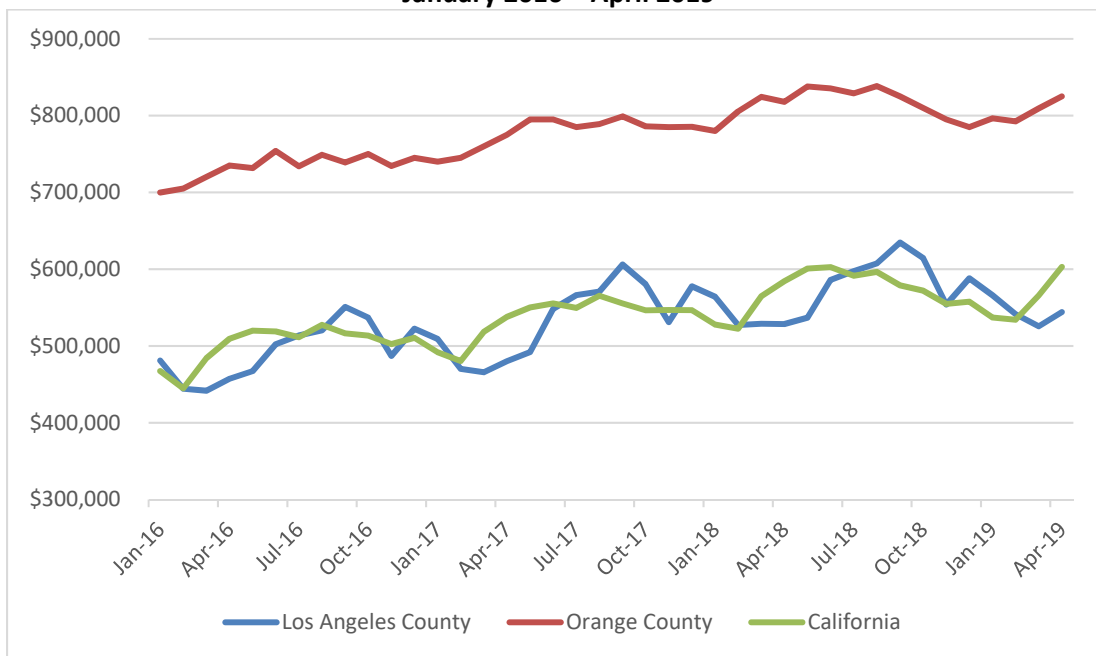
³⁶ Urban Land Institute, Homelessness, Los Angeles, California, December 2017; available from: https://americas.uli.org/wp-content/uploads/sites/2/ULI-Documents/LosAngeles_Homelessness_PanelReport_WEB_final.pdf.

³⁷ Los Angeles Times, Homelessness jumps 12% in L.A. County, June 2019; available from: <https://www.latimes.com/local/lanow/la-me-ln-homeless-count-encampment-affordable-housing-2019-06-04-story.html>.

³⁸ Ibid.

³⁹ Ibid.

Exhibit 7
Median Home Prices⁴⁰
January 2016 – April 2019

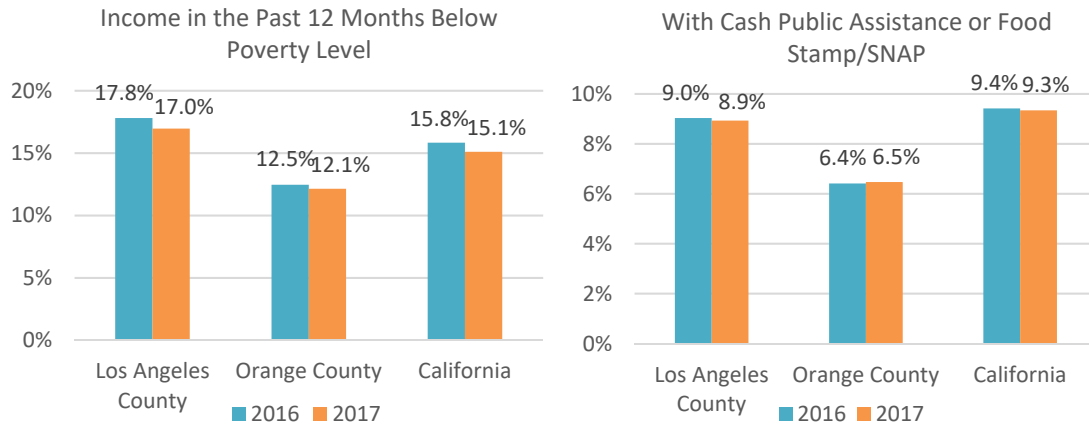


The assessment area and the statewide percentage of people living in poverty declined in the review period, as depicted in Exhibit 8 on the following page. Los Angeles County had a higher percentage of people living in poverty than Orange County and in California overall; whereas Orange County’s rates were below the statewide levels. There was little change in the percentage of people receiving cash assistance or food stamp benefits in the period. Both Los Angeles and Orange counties had rates of assistance beneficiaries below the statewide rates. Although the percentage of people receiving benefits in Los Angeles County was more closely aligned with the statewide percentages, it had a higher portion of beneficiaries than Orange County. The relatively higher level of poverty in Los Angeles County is also evident in the liquid asset poverty rate that represents the percentage of households without sufficient liquid assets to subsist at the federal poverty level for three months. The percentage of households in Los Angeles County who were liquid asset poor was 44 percent; whereas only 32 percent of households in Orange County were liquid asset poor.⁴¹

⁴⁰ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata/>.

⁴¹ Prosperity Now Scorecard, Los Angeles and Orange counties comparison, CA; available from: <https://scorecard.prosperitynow.org/>.

**Exhibit 8
Poverty and Food Stamp Usage Rates⁴²
2016-2017**



Credit and Community Development Needs

The economic data and feedback from community contacts indicate that small businesses in the assessment area faced challenges in accessing credit. As shown in Exhibit 5 and previously discussed, small business lending levels generally improved, but remained below pre-Great Recession levels. The Small Business Credit Survey found that of the 43 percent of small buses that applied for financing in the prior 12 month period, only 47 percent received all the credit they needed.⁴³ Most firms applied for less than \$100,000, primarily to expand their business or cover operating expenses.⁴⁴ More than half of applicants who sought financing in this range did not obtain the amount of financing needed.⁴⁵ The majority of applicants applied for loans or lines of credit from large banks.⁴⁶ However, applicants who applied for loans or lines of credit from online lenders grew from 19 percent in 2016 to 32 percent in 2018.⁴⁷ Firms who had financing shortfalls typically had higher credit risk, did not earn a profit, were located in urban areas, or were young start-up firms less than five years old.⁴⁸ The largest funding gap was most prevalent for businesses who sought between \$100,000 and \$250,000.⁴⁹ Overall, there are financing gaps for lending to small businesses and opportunities for more smaller dollar credit products.

A variety of factors mentioned previously, including the rising cost of housing and rent, establish the need for affordable housing development and financing in the assessment area. In addition to high cost and low affordability, the area ranked fourth in the nation for metro areas with the most severe

⁴² Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>.

⁴³ Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

⁴⁴ Ibid.

⁴⁵ Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

shortage of affordable rental units.⁵⁰ There are only 18 affordable rental units available for every 100 households who are the most in need with income levels at 30 percent of the area median income.⁵¹ As housing and rental markets remain undersupplied, residents with lower-paying jobs will continue to be priced out of the market and overcrowding and homelessness will continue to grow.

Community contacts indicated that there is an opportunity for banks to partner with community development organizations and engage in outreach activities. Many banks already participate in outreach such as first-time homebuyer workshops. However, community contacts noted the need for follow-up workshops that can prepare first-time homebuyers for the next steps in the home buying process. There is also an opportunity for banks to act as a referral partner to assist small businesses that have been declined financing from traditional banks to find alternative funding from CDFIs or CDCs that offer non-predatory credit. In addition, bilingual credit counseling is needed to serve the diverse population in the assessment area. Some of the most impactful activities by banks are affordable housing endeavors in the form of grants, investments in community based service organizations or CDFIs, as well as providing financial education and technical assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES-ORANGE

Lending Test

The overall lending test performance in the Los Angeles-Orange assessment area is outstanding. This is primarily supported by the strength of the bank’s geographic distribution of small business loans. In addition, the distribution of lending to businesses of different size was reasonable within this assessment area.

Lending Distribution by Geography

The geographic distribution of small business loans is excellent. As shown in Exhibit 9 below, small business lending volumes in low- and moderate-income geographies exceed the concentration of small businesses and aggregate lending in these areas, thereby reflecting excellent dispersion throughout the Los Angeles-Orange assessment area.

EXHIBIT 9 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
LOS ANGELES-ORANGE Assessment Area 2018								
Bank Lending	4	10.8	11	29.7	12	32.4	10	27.0
Aggregate Lending	21,418	4.6	90,180	19.5	119,625	25.9	230,607	49.9
Business Concentration	35,237	5.1	137,845	20.1	179,292	26.1	335,111	48.7

⁵⁰ National Low Income Housing Coalition, The Gap: A Shortage of Affordable Rental Homes, March 2019.

⁵¹ Ibid.

Lending Distribution by Borrower Income and Business Revenue

The distribution of loans among businesses of different sizes is reasonable. As depicted in Exhibit 10 below, the percentage of loans made to businesses with gross annual revenues of \$1 million or less exceeds the performance of aggregate lenders. Furthermore, a majority of small business loans were originated in amounts less than \$250,000, thereby meeting an articulated credit need for smaller dollar lending.

EXHIBIT 10 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	38	50.0	91.1	46.9	39.5	15.8	44.7

Community Development Test

The bank’s community development performance demonstrates excellent responsiveness to the needs of the Los Angeles-Orange assessment area. This assessment is based on an excellent level of community development loans, investments, and services provided in the assessment area. Community development activities were responsive to the needs for economic development and affordable housing. Exhibit 3 on page 6 includes details regarding the community development activities that the bank engaged in over the review period.

Community Development Lending

FCB originated or participated in 39 loans totaling more than \$136.0 million in the Los Angeles-Orange assessment area. This total included 18 SBA 7(a) and 504 small business loans, totaling more than \$53.8 million, to purchase or maintain small businesses, creating or preserving approximately 289 jobs.

Community Development Investments

FCB made 195 investments totaling approximately \$10.0 million. These included six investments exceeding \$7.9 million and 188 donations totaling \$306,878. Five investments were targeted to affordable housing for a total of over \$6.9 million, including an investment in a low-income housing tax credit fund that benefited Orange County. The bank also provided a \$1.0 million investment in a small business investment company.

Community Development Services

FCB provided 2,484 community development service hours to organizations focused on addressing the needs of low- and moderate-income individuals. These service hours were provided by 63 different employees at the bank. Notable services include:

- A bank representative served as a board member of a community development financial institution.
- Bank representatives partnered with a non-profit organization to promote financial literacy. A total of 338 service hours were provided through this organization to Title One schools or schools that have over 50 percent of the students who qualify for free or reduced lunch programs.
- Several bank representatives provided financial expertise to provide fundraising for a golf tournament that supported 18 community organizations that provide services for low- and moderate-income individuals.

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

FCB’s performance in the San Diego assessment area received a limited-scope review. Due to the bank’s limited presence and relatively lower volumes of lending activity compared to the Los Angeles-Orange assessment area, this assessment area received less weight and did not materially impact the bank’s overall lending and community development test ratings. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

EXHIBIT 11 LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS		
ASSESSMENT AREA	LENDING TEST	COMMUNITY DEVELOPMENT TEST
San Diego	Consistent	Consistent

Lending test performance in the San Diego assessment area was consistent with the performance of the full-scope assessment area. While lending volumes were limited, the geographic distribution and borrower distribution of small business lending was excellent.

Community development performance in San Diego was consistent with the full-scope assessment area. FCB, as previously stated, has only been operating in San Diego County since 2017 with one branch location. The bank expanded its footprint in 2018 with the acquisition of one branch and one LPO. Given these details, it is reasonable to expect that fewer community development activities would be provided during this review period. Nevertheless, the community development test performance was consistent with the performance of the full-scope Los Angeles-Orange assessment area. Notable activities in this assessment area include the following:

- FCB extended 12 community development loans totaling approximately \$41.7 million. A significant portion of these loans were loans originated under the SBA 7(a) and 504 loan programs.
- FCB made eight investments totaling approximately \$1.7 million. This figure includes one mortgage-backed security investment. The remaining investments were donations made for a total of \$8,000.
- Bank representatives also provided 50 hours of community development services focused on promoting financial literacy and working on a credit committee that helps low- and moderate-income small business borrowers gain access to capital.

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 and community development 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 and community development 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 PROFILES

San Diego Assessment Area

The San Diego assessment area consists of San Diego County in its entirety, which forms the San Diego-Chula Vista-Carlsbad, CA MSA. San Diego County is located in Southern California on the coast of the Pacific Ocean, south of Orange and Riverside counties and north of the U.S.-Mexico border. As of July 1, 2018, the county was home to more than 3.3 million people.¹

As of June 30, 2018, the San Diego assessment area had 53 FDIC-insured commercial institutions operating 590 offices.² The bank operated one branch in the assessment area which had total deposits of \$26.6 million, representing 0.03 percent of the deposit market share.³

Exhibit 12 on the following page presents key demographic and business information concerning the assessment area. Exhibits 13 and 14 that follow present the data against which the bank's geographic and borrower distribution assessments are based.

¹ U.S. Census Bureau, Quickfacts, Population Estimates, July 1, 2018; available from: www.census.gov/quickfacts/.

² Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketrpt.asp?barItem=2>.

³ Ibid.

EXHIBIT 12 ASSESSMENT AREA DEMOGRAPHICS SAN DIEGO ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	61	9.7	57,401	7.8	18,951	33.0	172,423	23.6
Moderate-income	142	22.6	158,623	21.7	25,027	15.8	123,833	16.9
Middle-income	204	32.5	236,551	32.3	20,679	8.7	130,363	17.8
Upper-income	214	34.1	278,708	38.1	13,088	4.7	304,709	41.7
Unknown-income	7	1.1	45	0.0	0	0.0	0	0.0
Total AA	628	100.0	731,328	100.0	77,745	10.6	731,328	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	90,459	16,148	2.8	17.9	67,684	74.8	6,627	7.3
Moderate-income	255,834	87,646	15.1	34.3	148,426	58.0	19,762	7.7
Middle-income	403,508	205,291	35.5	50.9	168,950	41.9	29,267	7.3
Upper-income	430,949	269,968	46.6	62.6	129,999	30.2	30,982	7.2
Unknown-income	56	26	0.0	46.4	19	33.9	11	19.6
Total AA	1,180,806	579,079	100.0	49.0	515,078	43.6	86,649	7.3
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	10,044	5.7	9,195	5.6	780	6.2	69	5.8
Moderate-income	27,846	15.7	25,813	15.8	1,866	14.8	167	14.2
Middle-income	62,728	35.3	57,605	35.2	4,771	37.9	352	29.8
Upper-income	76,786	43.2	71,053	43.4	5,144	40.9	589	49.9
Unknown-income	146	0.1	123	0.1	20	0.2	3	0.3
Total AA	177,550	100.0	163,789	100.0	12,581	100.0	1,180	100.0
% of Total Businesses				92.2		7.1		0.7
2018 Median Family Income ⁴			\$75,179		December 2018 Median Housing Value ⁵			\$618,500
2018 HUD Adjusted Median Family Income ⁶			\$81,800		2018 Unemployment Rate ⁷			3.3%

⁴ FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁵ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata/>.

⁶ FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁷ Annual Unemployment Rate, U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 13 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
San Diego Assessment Area 2018								
Bank Lending	1	9.1	5	45.5	1	9.1	4	36.4
Aggregate Lending	4,595	4.7	13,753	14.0	33,955	34.5	46,202	46.9
Business Concentration	10,044	5.7	27,846	15.7	62,728	35.4	76,786	43.3

EXHIBIT 14 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	11	81.8	92.2	45.5	0.0	18.2	81.8