

# **PUBLIC DISCLOSURE**

**October 5, 2009**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Pacific State Bank  
RSSD #1158832**

**1899 West March Lane  
Stockton, California 95207**

**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***

Pacific State Bank is rated "NEEDS TO IMPROVE"

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

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		
SATISFACTORY	<b>X</b>	<b>X</b>
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The presence of unfair credit practices with regard to a small number of violations of Section 5 of the Federal Trade Commission Act (FTC Act) influenced the overall Community Reinvestment Act (CRA) performance assessment. They contributed to the downgrade of an otherwise marginally satisfactory performance that included:

- A reasonable loan-to-deposit ratio;
- A substantial majority of loans originated within the assessment areas;
- A reasonable geographic distribution of small business loans among geographies of different income levels;
- An adequate level of lending to small businesses; and
- An adequate level of community development activities.

## INSTITUTION

### ***Description of Institution***

Pacific State Bank (PSB), headquartered in Stockton, California, reported total assets of \$402.0 million as of June 30, 2009. The bank commenced operations in 1987 and became a member of the Federal Reserve System in 1998. PSB became a subsidiary of Pacific State Bancorp in 2002. The bank currently operates nine branches in Alameda, Calaveras, San Joaquin, Stanislaus, and Tuolumne counties. These counties are located in the central part of California extending from the Central Valley into the Sierra Nevada Mountains.

Since its previous CRA examination, the bank opened two new branches and relocated its main office. The Lodi Branch in San Joaquin County was opened in September 2006. In September 2007, PSB closed its loan production office in Castro Valley and re-opened it as a full-service Branch in Hayward; both offices are located in Alameda County. In December 2008, the bank relocated its Stockton main office in San Joaquin County from South El Dorado Street to East March Lane, approximately seven miles north of the former location.

PSB is primarily a commercial lender that focuses on serving small- and medium-sized businesses. Commercial credit products include lines of credit, equipment financing, commercial real estate financing, and construction loans. The bank also provides small business loans guaranteed by the Small Business Administration (SBA) and is a certified lender for loans guaranteed by the U.S. Department of Agriculture Rural Development Business & Industry Guaranteed Loan Program. Consumer products, primarily offered on an accommodation basis, include home equity, and other secured and unsecured loans and lines of credit. Home mortgage financing is primarily offered through brokerage services. The bank also offers other services including on-line banking, telephone banking, and mobile banking.

Below is the June 30, 2009, loan portfolio composition, as stated in the Consolidated Reports of Condition and Income, which shows PSB's commercial lending focus.

<b>EXHIBIT 1</b>		
<b>LOANS AND LEASES AS OF JUNE 30, 2009</b>		
<b>Loan Type</b>	<b>\$ ('000s)</b>	<b>%</b>
Commercial/Industrial & Non-Farm Non-Residential Real Estate	171,985	60.3
Construction & Land Development	51,177	17.9
Secured by 1-4 Family Residential Real Estate	34,479	12.1
Farm/Agriculture	14,172	5.0
Multifamily Residential Real Estate	5,541	1.9
Consumer Loans & Credit Cards	5,170	1.8
All Other	2,729	1.0
<b>Total (Gross)</b>	<b>285,253</b>	<b>100.0</b>

PSB's assessment areas have expanded since the previous examination and now include Alameda County, with the opening of the Hayward Branch in September 2007. The bank now delineates the following five assessment areas:

- **San Joaquin:** consists of San Joaquin County in its entirety and is also the Stockton Metropolitan Statistical Area (MSA).
- **Stanislaus:** consists of Stanislaus County in its entirety and is also the Modesto MSA.
- **Alameda:** consists of Alameda County in its entirety and is also a portion of the Oakland-Fremont-Hayward Metropolitan Division.
- **Calaveras:** consists of Calaveras County in its entirety.
- **Tuolumne:** consists of Tuolumne County in its entirety.

PSB faced no legal or financial impediments during the review period that would have prevented 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 prior CRA examination as of November 7, 2005, which resulted in a satisfactory rating, was conducted using the Interagency Small Institution Examination Procedures.

## ***Scope of Examination***

The CRA examination of PSB was conducted using the Intermediate Small Institution CRA Examination Procedures. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. The San Joaquin and Stanislaus assessment areas received full-scope reviews, with San Joaquin being weighted the most heavily due to the predominance of PSB's branches and activities in that market area. Due to the bank's limited presence and activity in the Alameda, Calaveras, and Tuolumne assessment areas, they were evaluated using limited-scope reviews. The limited-scope procedures are used to determine whether or not performance in these areas was consistent with the bank's overall performance.

## **LENDING TEST**

The lending test 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 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).

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 between January 1, 2007, and June 30, 2009. A total of 360 small business loans were used in the evaluation of *Lending in Assessment Area*. A sample of 162 small business loans extended within the bank's assessment areas was used in the evaluation of *Lending Distribution by Geography* and *Lending Distribution by Business Revenue*.

### **COMMUNITY DEVELOPMENT TEST**

The community development test included an evaluation of the bank's level of community development activity in relation to local credit needs and opportunities as well as the bank's capacity to participate in such activities. The evaluation considered qualified community development loans, investments, and services from the time period January 1, 2007 through October 4, 2009.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### ***Lending Test***

Overall performance under the lending test is satisfactory. The loan-to-deposit ratio and the level of lending within the assessment areas indicate the bank is effectively engaging in lending activities within its defined markets. The overall lending distributions by geography and business revenue demonstrated an overall reasonable level of lending across different geographic areas and adequate levels of lending to small businesses.

### **LOAN-TO-DEPOSIT RATIO**

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and indicators of credit demand within the various assessment areas. The bank's ten-quarter average loan-to-deposit ratio, at 87.4 percent, is comparable to the state average of 92.6 percent and national peer loan-to-deposit ratios of 88.6 percent.

### **LENDING IN ASSESSMENT AREA**

A substantial majority of loans were originated inside the bank's assessment areas, with over 94.0 percent by both number and by dollar volume extended within in the assessment areas.

EXHIBIT 2								
<b>LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS</b>								
<b>JANUARY 1, 2007 TO JUNE 30, 2009</b>								
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	#	%	\$ (‘000s)	%	#	%	\$ (‘000s)	%
Small Business Loans	344	95.6	78,234	94.0	16	4.4	4,977	6.0

### **GEOGRAPHIC AND BORROWER DISTRIBUTION**

Overall, PSB had reasonable geographic distributions of small business loans among geographies of different income levels. The bank's lending was distributed throughout the assessment areas with no conspicuous gaps. In addition, the bank had adequate levels of small business lending to small businesses. Throughout the assessment areas the majority of small business loans were in dollar amounts of \$250 thousand or less, addressing an identified credit need.

## RESPONSE TO COMPLAINTS

The bank received no complaints related to CRA 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*

PSB's overall community development test performance is satisfactory. The bank primarily directed its available resources to funding an overall adequate level of community development loans, mostly for the revitalization and stabilization of low- and moderate-income (LMI) census tracts in specifically designated economic development areas. To a lesser extent, bank management provided a generally adequate level of community development services hours that benefited organizations providing affordable housing and services to LMI individuals and families. In addition, management funded a nominal level of investments in the form of donations that primarily benefited schools and non-profit community based organizations providing services to LMI individuals and families.

Notwithstanding the overall satisfactory community development test performance, there were conspicuous gaps in performance in the limited-scope assessment areas, with no or limited activity in Alameda and Tuolumne, respectively.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
San Joaquin	51	25,716	0	0	24	13	6	177
Stanislaus	20	9,386	0	0	4	1	2	180
Alameda	0	0	0	0	2	.5	0	0
Calaveras	7	1,262	0	0	2	.5	4	251
Tuolumne	0	0	0	0	0	0	0	0
<b>Total</b>	<b>78</b>	<b>36,364</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>15</b>	<b>12</b>	<b>608</b>

## *Fair Lending or Other Illegal Practices Review*

The consumer compliance examination conducted at the same time as the CRA evaluation identified a small number of illegal credit practices in violation of Section 5 of the FTC Act. The bank's policies were insufficient to prevent these errors and their internal assessment efforts did not identify the matter. The bank has ceased offering the product involved in these violations. These illegal 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 Joaquin Assessment Area**

#### **DESCRIPTION OF OPERATIONS IN SAN JOAQUIN**

The San Joaquin assessment area consists of San Joaquin County in its entirety and comprises the Stockton MSA. San Joaquin County is located in the heart of California's Central Valley and referred to as the San Joaquin Valley. Its geographical position places the county within a dynamic corridor ideally situated for business and industry. San Joaquin has cultivated extensive transportation facilities. The Port of Stockton serves ships from around the world, with ocean vessels regularly traversing the 75-nautical mile voyage from the San Francisco Bay into Stockton. Interstate highways throughout the county, both east-west, and north-south, provide access and same-day delivery service to major California markets. With five railroads, an airport that offers both passenger and freight transport, and the Port of Stockton, San Joaquin County is a central staging and meeting place in California. The California Department of Finance estimates the county's 2008 population at 685,660.<sup>1</sup>

PSB has a comparatively limited presence in this fairly competitive assessment area with four branches. The four branches are in the cities of Lodi, Stockton (two branches), and Tracy. As of June 30, 2008, there were 25 Federal Deposit Insurance Corporation (FDIC) insured institutions within this market operating 121 offices with deposits totaling over \$7.2 billion; PSB accounts for 3.4 percent of the deposit market share.<sup>2</sup> In addition, in 2008, there were a total of 67 lenders that reported 17,777 CRA-reportable small business loans totaling \$469.0 million in San Joaquin.

The following exhibit presents key demographic and business information, based on the 2000 U.S. Census and 2008 Dun and Bradstreet data, used to help develop a performance context for the assessment area.

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<sup>1</sup> State of California Employment Development Department, Labor Market Information Division, *San Joaquin County Profile*, available at [www.labormarketinfo.edd.ca.gov/local](http://www.labormarketinfo.edd.ca.gov/local) (accessed September 10, 2009).

<sup>2</sup> FDIC, Institution Directory, Deposit Market Share Report, *Summary of Deposits*, June 30, 2008, accessed on September 12, 2009; available at <http://www2.fdic.gov>.

EXHIBIT 4								
ASSESSMENT AREA DEMOGRAPHICS								
SAN JOAQUIN COUNTY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	8	6.6	6,850	5.1	2,679	39.1	30,817	22.8
Moderate-income	31	25.6	31,505	23.3	7,665	24.3	22,294	16.5
Middle-income	48	39.7	52,910	39.1	5,800	11.0	26,813	19.8
Upper-income	34	28.1	44,154	32.6	2,154	4.9	55,495	41.0
<i>Total AA</i>	<i>121</i>	<i>100.0</i>	<i>135,419</i>	<i>100.0</i>	<i>18,298</i>	<i>13.5</i>	<i>135,419</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	11,945	1,975	1.8	16.5	8,884	74.4	1,086	9.1
Moderate-income	45,220	21,369	19.5	47.3	21,756	48.1	2,095	4.6
Middle-income	74,849	43,079	39.3	57.6	29,072	38.8	2,698	3.6
Upper-income	57,146	43,248	39.4	75.7	12,246	21.4	1,652	2.9
<i>Total AA</i>	<i>189,160</i>	<i>109,671</i>	<i>100.0</i>	<i>58.0</i>	<i>71,958</i>	<i>38.0</i>	<i>7,531</i>	<i>4.0</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	1,824	9.4	1,563	9.1	196	12.3	65	12.3
Moderate-income	4,417	22.9	3,817	22.2	465	29.1	135	25.6
Middle-income	6,981	36.1	6,299	36.6	526	32.9	156	29.5
Upper-income	6,105	31.6	5,520	32.1	413	25.8	172	32.6
<i>Total AA</i>	<i>19,327</i>	<i>100.0</i>	<i>17,199</i>	<i>100.0</i>	<i>1,600</i>	<i>100.0</i>	<i>528</i>	<i>100.0</i>
<b>Percentage of Total Businesses</b>		<b>89.0</b>		<b>8.3</b>		<b>2.7</b>		
2004 MSA Median Family Income			\$46,894	June 2009 Median Housing Value <sup>3</sup>			\$151,500	
2009 HUD Adjusted Median Family Income			\$63,600	June 2009 Unemployment Rate <sup>4</sup>			15.5%	

San Joaquin has a fairly homogeneous economy that is driven by agriculture and government. In addition, the Port of Stockton and transportation links to northern California makes transportation and warehousing a crucial component of the San Joaquin economy. Top non-government employers by number of employees are St. Joseph Medical Center, Hedy Homes Staffing Services, San Joaquin General Hospital, Defense Distribution Depot San Joaquin, and Safeway, Inc.<sup>5</sup> As illustrated in Exhibit 4 above, small businesses are also a major driver in the economy, making up 89.0 percent of all businesses.

The San Joaquin economy decelerated considerably during the review period. San Joaquin was in a recession by the end of 2007 and the economy only worsened in 2008 and into 2009. Broad-based declines occurred in almost all industries, with the most significant declines occurring in

<sup>3</sup> California Association of Realtors®, *Trends in California Real Estate*, Volume 30, Number 7, July 2009.

<sup>4</sup> Bureau of Labor Statistics (Haver Analytics), created on August 4, 2009 (accessed on 10/2/2009).

<sup>5</sup> Moody's Economy.com, Précis METRO, Stockton, December 2007.

the housing market.<sup>6</sup> In addition manufacturing, also a significant driver of the economy contributing more than 10.0 percent of local employment, showed signs of stabilizing late in 2008, but job losses intensified in 2009 as global demand for the area's manufactured goods declined.<sup>7</sup> By 2009, unemployment breached 15.0 percent and the construction industry employment growth declined 42.0 percent since its peak in 2006, with building activity nearly at a halt and house prices dropping precipitously.<sup>8</sup>

Declining economic conditions resulted in financial institutions tightening their lending standards and terms on all major loan products. According to the July 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve Board of Governors, the move toward more stringent lending policies was a trend throughout 2008 and 2009. In addition, a June 2009 survey of small businesses indicated that access to credit was a major challenge for small businesses.<sup>9</sup> This national trend was confirmed locally through community contacts that indicated working capital lines in amounts of \$50 thousand to \$250 thousand were critical credit needs for small businesses.

The area suffered from an alarmingly high percentage of subprime mortgages at 42.0 percent, which was one of the highest among all metro areas and almost double the national average of 23.0 percent.<sup>10</sup> As these mortgages reset to higher monthly payments, families found it increasingly difficult to stay current, causing record high default and foreclosure rates. Foreclosure activity peaked in the middle of 2007 coming in second in the nation with one foreclosure filing per every 51 households.<sup>11</sup> The glut of foreclosed homes put downward pressures on home sales demand and consequently on home prices.<sup>12</sup> Since peaking in the first quarter of 2006, the median house price fell by a staggering 65.0 percent through the second quarter in 2009, from \$436 thousand to \$151 thousand.

On the upside, declining home sale prices had made purchasing a home more affordable. According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index released in February of 2009, San Joaquin County residents earning the median income of \$61,300 could afford to buy 66.4 percent of the homes for sale. This is a dramatic improvement from the fourth quarter of 2007, when San Joaquin residents earning the median income of \$60,300 were able to afford the purchase of only 16.9 percent of the homes for sale.<sup>13</sup>

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<sup>6</sup> Moody's Economy.com, Précis METRO, Stockton, April 2007 through April 2009.

<sup>7</sup> Moody's Economy.com, Précis METRO, Stockton, August 2009.

<sup>8</sup> Moody's Economy.com, Précis METRO, Stockton, April 2008 through August 2009.

<sup>9</sup> William C. Dunkelberg and Holly Wade, NFIB Small Business Economic Trends, June 2009, *National Federation of Independent Businesses*, (accessed September 30, 2009), available from <http://www.nfib.com>.

<sup>10</sup> Moody's Economy.com, Précis METRO, Stockton, December 2007.

<sup>11</sup> Bruce Spence. (August 15, 2007). *San Joaquin Among Nation's Leader in Home Foreclosure Activity* (accessed September 16, 2009); available from <http://www.recordnet.com>.

<sup>12</sup> Moody's Economy.com, Précis METRO, Stockton, April 2009.

<sup>13</sup> *Stockton Rises on Affordability Yardstick as Home Prices Sink*, February 21, 2009, (accessed September 16, 2009); available from <http://www.recordnet.com>.

High unemployment and the slack labor market affected demographic trends. Compared to the last few years, both net migration and population growth had slowed by the last quarter of 2007.<sup>14</sup> This trend, as well as the general decline in the local economy and housing market, had heightened the importance of community development activities that stabilize and revitalize areas experiencing decline. Particularly important were activities that involved job creation, development or maintenance of affordable housing targeted to low- and moderate-income individuals and families, and support for organizations that provide essential community services to low- and moderate-income populations. With rising default rates, personal financial education was also identified as a critical community need.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SAN JOAQUIN

### *Lending Test*

Overall lending test performance in the San Joaquin assessment area is reasonable. Loans were reasonably distributed throughout the assessment area geographies and to businesses of different sizes. Performance was particularly notable for small business loans made in moderate-income census tracts. Also the majority of small business loans were less than \$250 thousand, addressing an identified credit need.

### Lending Distribution by Geography

The geographic distribution of small business loans reflects a reasonable penetration among geographies of different income levels. Loans were made within all income geographies with noteworthy performance in moderate-income census tracts where the bank's lending exceeded both the percentage of businesses and aggregate lending. Performance in the low-income census tracts was below the business concentration, though, relatively comparable to the aggregate lending and in line with the bank's branch locations relative to the low-income census tracts. There were no conspicuous gaps or anomalies in the lending patterns.

EXHIBIT 5			
GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Low	3.7	9.4	5.2
Moderate	27.2	22.9	17.1
Middle	43.2	36.1	34.8
Upper	25.9	31.6	42.8

### Lending Distribution by Business Revenue

The bank's lending pattern reflects adequate level of lending to businesses of different sizes. Slightly less than half of the bank's small business loans were made to small businesses. Although the level of lending is below the concentration of small businesses, it compares

<sup>14</sup> Moody's Economy.com, Précis METRO, Stockton, December 2007.

favorably to aggregate lending levels. Moreover, the majority of small business loans were in dollar amounts of \$250 thousand or less, addressing an identified credit need.

EXHIBIT 6						
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 (%)
43.2	89.0	33.3	27.2	39.5	17,777	33.1

**Community Development Test**

PSB demonstrated a generally reasonable level of community development activities that were adequately responsive to the needs of the assessment area. The bank primarily directed its available resources to funding community development loans, and, to a lesser extent, providing community development services and donations.

- The bank extended 51 community development loans totaling \$26.0 million. The majority of the loans were extended to businesses supporting the creation and retention of jobs within enterprise zones. Other community development loans provided affordable housing, were SBA 504 loans, or were to organizations that provided services to low- and moderate-income individuals and families. Four of the more notable loans include:
  - o One loan for \$2.3 million extended to a business that recently relocated to San Joaquin County helped create 400 new jobs.
  - o One loan for \$3.0 million to refinance a 105-unit apartment complex that provides affordable housing to low- and moderate-income individuals and families, including 11 units to support a homeless prevention program.
  - o One \$2.0 million SBA 504 loan that helped fund the acquisition of an on-going concern small business supporting the retention of 31 jobs.
  - o Three loans totaling \$1.5 million to a non-profit organization that provides counseling, referrals, and education to low- and moderate-income Spanish speaking individuals.
- Bank management provided 177 hours of community development services and funded \$13 thousand in community development donations. These community development activities were for organizations that target the needs of low- and moderate-income individuals or for children from low- and moderate-income families.

## ***Stanislaus Assessment Area***

### **DESCRIPTION OF OPERATIONS IN STANISLAUS**

The Stanislaus assessment area consists of Stanislaus County in its entirety and is also known as the Modesto MSA. Similar to San Joaquin County, Stanislaus County is located in the heart of California's Central Valley and also part of the San Joaquin Valley. Stanislaus County's productive soils, long growing seasons, and extensive transportation network combine to make a successful farm and business region. Stanislaus County is bordered by San Joaquin County to the north, Calaveras and Tuolumne Counties on the east, Merced County on the south, and Santa Clara County on the west. The California Department of Finance estimates the county's 2008 population at 525,900.<sup>15</sup>

PSB has a comparatively limited presence in this fairly competitive assessment area with one branch. As of June 30, 2008, there were 22 FDIC insured institutions within this market operating 103 offices with deposits totaling \$5.7 billion; PSB accounts for less than one percent market share.<sup>16</sup> In addition, in 2008, there were a total of 60 lenders that reported 14,061 CRA-reportable small business loans totaling \$366.0 million in Stanislaus.

PSB has a comparatively limited presence in this fairly competitive assessment area with four branches

The following exhibit presents key demographic and business information, based on the 2000 U.S. Census and 2008 Dun and Bradstreet data, used to help develop a performance context for the assessment area.

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<sup>15</sup> State of California Employment Development Department, Labor Market Information Division, *Stanislaus County Profile*, available at [www.labormarketinfo.edd.ca.gov/local](http://www.labormarketinfo.edd.ca.gov/local) (accessed September 10, 2009).

<sup>16</sup> FDIC, Institution Directory, Deposit Market Share Report, *Summary of Deposits*, June 30, 2008, accessed on October 2, 2009; available at <http://www2.fdic.gov>.

EXHIBIT 7								
ASSESSMENT AREA DEMOGRAPHICS								
STANISLAUS COUNTY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	3.4	2,296	2.1	873	38.0	23,968	21.7
Moderate-income	20	22.5	21,381	19.4	4,880	22.8	19,038	17.3
Middle-income	45	50.6	58,459	53.0	6,139	10.5	22,833	20.7
Upper-income	21	23.6	28,113	25.5	1,655	5.9	44,410	40.3
<i>Total AA</i>	<i>89</i>	<i>100.0</i>	<i>110,249</i>	<i>100.0</i>	<i>13,547</i>	<i>12.3</i>	<i>110,249</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	3,556	1,011	1.1	28.4	2,345	65.9	200	5.6
Moderate-income	29,365	13,154	14.6	44.8	14,785	50.3	1,426	4.9
Middle-income	80,292	48,445	53.9	60.3	28,944	36.0	2,903	3.6
Upper-income	37,594	27,301	30.4	72.6	9,161	24.4	1,132	3.0
<i>Total AA</i>	<i>150,807</i>	<i>89,911</i>	<i>100.0</i>	<i>59.6</i>	<i>55,235</i>	<i>36.6</i>	<i>5,661</i>	<i>3.8</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	1,407	8.7	1,238	8.5	125	10.2	44	11.1
Moderate-income	2,635	16.3	2,331	16.0	231	18.8	73	18.5
Middle-income	8,064	49.9	7,265	49.9	601	48.9	198	50.1
Upper-income	4,069	25.2	3,718	25.5	271	22.1	80	20.3
<i>Total AA</i>	<i>16,175</i>	<i>100.0</i>	<i>14,552</i>	<i>100.0</i>	<i>1,228</i>	<i>100.0</i>	<i>395</i>	<i>100.0</i>
<b>Percentage of Total Businesses</b>		<b>90.0</b>		<b>7.6</b>		<b>2.4</b>		
2004 MSA Median Family Income			\$44,706	June 2009 Median Housing Value <sup>17</sup>			\$139,000	
2009 HUD Adjusted Median Family Income			\$59,600	June 2009 Unemployment Rate <sup>18</sup>			16.5%	

Stanislaus has a fairly homogeneous economy that is driven by agriculture and government. Agriculture and food processing account for the bulk of private employment along with healthcare. Top employers by number of employees include E & J Gallo Winery, Signature Fruit Company, Memorial Medical Center, and Del Monte Foods. Top employers by industry are trade, transportation, and utilities; government; and manufacturing. As indicated in Exhibit 7, small businesses are also a major driver in the economy, making up 90.0 percent of all businesses.

The Stanislaus economy experienced uneven performance in 2007 with a few months of improvement in the second quarter,<sup>19</sup> but showed consistent decline from 2008 to 2009. By the first quarter of 2008, the economy fell into recession under the combined weight of the housing

<sup>17</sup> California Association of Realtors®, *Trends in California Real Estate*, Volume 30, Number 7, July 2009.

<sup>18</sup> Bureau of Labor Statistics (Haver Analytics), created on August 4, 2009 (accessed on 10/2/2009).

<sup>19</sup> Moody's Economy.com, Précis METRO, Modesto, August 2007.

crisis and national recession.<sup>20</sup> The decline in the housing industry had the largest impact on the local economy.<sup>21</sup> The area's high share of subprime mortgages eventually led to high foreclosure rates, oversupply of area homes, and declining home values, causing a ripple effect on sectors such as the residential construction and financial industry, which experienced high job losses.<sup>22</sup> As housing prices continued to decline, the first quarter of 2009 saw Stanislaus sink deeper into a recession with layoffs in financial services and manufacturing contributing to the high unemployment rate of 16.5 percent,<sup>23</sup> which is the highest level since July 1995 and nearly double the national average at 8.9 percent.<sup>24</sup>

The declining economic conditions resulted in financial institutions tightening their lending standards and terms on all major loan products. According to the July 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices conducted by the Federal Reserve Board of Governors, the move toward more stringent lending policies was a trend throughout 2008 and 2009. In addition, a June 2009 survey of small businesses indicated that access to credit was a major challenge for small businesses.<sup>25</sup> This national trend was confirmed locally through community contacts that indicated working capital lines in amounts of \$50 thousand to \$250 thousand were critical credit needs for small businesses.

As previously indicated, the Stanislaus housing market was characterized by a high share of subprime mortgages, high delinquency rates, falling home prices, declining home equity, and astounding foreclosure rates. From 2002 to 2005 the subprime home loan originations averaged about 25.0 percent.<sup>26</sup> With the housing downturn, the delinquency rates for the assessment area were some of the worst nationwide. In fact, these rates were 70 to 150 basis points higher than other metropolitan areas in the Central Valley and almost double the rate for California.<sup>27</sup> In addition, since peaking in the first quarter of 2006, the median house price fell by a staggering 63.0 percent through the second quarter 2009, from \$375 thousand to \$139 thousand.<sup>28</sup> Effectively, for many homeowners, this wiped out their home equity. The decline in home equity, coupled with the high unemployment for the area, increased the risk of foreclosure. A staggering 10,700 Stanislaus homes were lost to foreclosure during 2007 and 2008, which is nearly nine percent of all homes and condos for the county.<sup>29</sup>

On the upside, declining home sale prices had made purchasing a home more affordable. According to the National Association of Home Builders/Wells Fargo Housing Opportunity

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<sup>20</sup> Moody's Economy.com, Précis METRO, Modesto, April 2008.

<sup>21</sup> Moody's Economy.com, Précis METRO, Modesto, April 2007.

<sup>22</sup> Moody's Economy.com, Précis METRO, Modesto, August 2007, December 2007, April 2008.

<sup>23</sup> Moody's Economy.com, Précis METRO, Modesto, April 2009.

<sup>24</sup> United States Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey*, January 1999 to August 2009, (accessed September 14, 2009).

<sup>25</sup> William C. Dunkelberg and Holly Wade, NFIB Small Business Economic Trends, June 2009, *National Federation of Independent Businesses*, (accessed September 30, 2009), available from <http://www.nfib.com>.

<sup>26</sup> Moody's Economy.com, Précis METRO, Modesto, April 2007.

<sup>27</sup> Ibid.

<sup>28</sup> California Association of Realtors®, *Trends in California Real Estate*, Volume 27, Number 4, April 2006; and Volume 30, Number 7, July 2009.

<sup>29</sup> Sbranti, J.N. (January 18, 2009). *The Modesto Bee*. (accessed September 15, 2009).



Index released in February of 2009, Stanislaus County residents earning the median income of \$56,500 could afford to buy 71.1 percent of the homes for sale.<sup>30</sup>

Furthermore, the collapse of the housing market has been linked to a loss in population and, for the first time in a decade, net migration for the area was negative for 2007.<sup>31</sup> Falling home values and high unemployment, gave very little incentive for people to move into the area. This as well as the general decline in the local economy has heightened the importance of community development activities that stabilize and revitalize areas experiencing decline. Particularly important are activities that involve job creation, development or maintenance of affordable housing targeted to LMI individuals and families, and support for organizations that provide essential community services to LMI populations. With rising default rates, personal financial education was also identified as a critical community need.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STANISLAUS

### *Lending Test*

Overall lending test performance in the Stanislaus assessment area is reasonable. Loans were distributed throughout the assessment area geographies, especially in low- and moderate-income census tracts. The majority of small business loans were in dollar amounts of \$250 thousand or less, addressing an identified credit need. However, the level of lending to small businesses was poor and notably less than the percentage of small businesses within the assessment area and the level of lending by the aggregate market.

### Lending Distribution by Geography

The geographic distribution of small business loans reflects a good penetration among geographies of different income levels. Loans were made within all income geographies, with noteworthy performance in low- and moderate-income census tracts where the bank's lending exceeded both the percentage of businesses and aggregate lending. There were no conspicuous gaps or anomalies in the lending patterns.

EXHIBIT 8			
GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Low	9.5	8.7	4.4
Moderate	26.2	16.3	12.8
Middle	45.2	49.9	52.1
Upper	19.1	25.2	30.8

<sup>30</sup> *Stockton Rises on Affordability Yardstick as Home Prices Sink*, February 21, 2009, (accessed September 16, 2009); available from <http://www.recordnet.com>.

<sup>31</sup> Moody's Economy.com, Précis METRO, Modesto, April 2008.

### Lending Distribution by Business Revenue

Lending levels to small businesses are poor. Twenty-four percent of small business loans made the assessment area were extended to businesses with gross annual revenue of \$1.0 million or less. This level of lending is well below the percentage of small businesses as well as the aggregate market lending. However, the majority of small business loans were in small dollar amounts of \$250 thousand or less, addressing an identified credit need.

EXHIBIT 9 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 (%)
23.8	90.0	42.9	28.6	28.6	14,061	32.5

### *Community Development Test*

PSB demonstrated an adequate level of community development activities that had limited impact within the assessment area. The bank primarily directed its available resources to funding community development loans, and, to a lesser extent, providing community development services and donations.

- The bank extended 20 community development loans totaling \$9.4 million. All of the loans were extended to businesses supporting the job creation and retention goals of designated enterprise zones.
- Bank management provided 180 hours of community development services that met the community development needs of the assessment area. Most notably, bank management served 170 hours on the board of a housing authority that provided 91 units of low-income housing, helping to address the need for affordable housing in the county. In addition, the bank funded \$1 thousand in community development donations to a school where the majority of the students are from low- and moderate-income families.

## LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

PSB's performance in the Calaveras and Tuolumne assessment areas were generally consistent with areas receiving full-scope reviews for the lending test; whereas, Calaveras was generally consistent and Tuolumne was below areas receiving full-scope reviews for the community development test. The Alameda assessment area was below the lending test and community development test when compared to the full-scope reviews. Due to a small presence and lower volume of lending and deposit activity, performance within these assessment areas received less weight than the full-scope assessment areas. Consequently, performance in these three assessment areas did not materially affect 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.

ASSESSMENT AREAS	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Alameda	Below	Below
Calaveras	Consistent	Consistent
Tuolumne	Consistent	Below

### *Alameda*

Lending test performance in the Alameda County assessment area was below performance in the full-scope assessment areas. There was a low level of small business lending in this assessment area, primarily attributable to the fact that the bank's only branch in this assessment area was opened during the review period. This branch appears to have had limited activity as deposits were also low and consistent with the volume of lending. Loans extended in the assessment area were only in middle- and upper-income tracts. In addition, lending levels to small businesses were well below both aggregate lending levels and the concentration of small businesses.

Community development performance in Alameda County was below that of the full-scope assessment areas. The bank's community development activities were limited to \$500 in donations to local schools located in moderate-income tracts where a majority of the students were from low- and moderate-income families.

### *Calaveras*

Lending test performance in Calaveras County was generally consistent with performance in the full-scope assessment areas. The geographic distribution of small business loans was not evaluated as the assessment area has no low- and moderate-income census tracts. Lending levels to small businesses was well above aggregate lending levels but below the concentration of small businesses.

Community development performance in Calaveras County was generally consistent with performance in the full-scope assessment areas. The bank directed its available resources primarily to fund seven community development loans totaling \$1.3 million. These loans were granted to small businesses or farms and helped to retain 47 jobs in local distressed middle-income census tracts. The bank made a \$500 in donation to a child care program located in a distressed middle-income census tract and targeted to low- and moderate-income families. In addition, the bank provided a relatively high level of community services, with 251 hours primarily targeted to an emergency food and shelter program and a program that serves low-income women.

### ***Tuolumne***

Lending test performance in Tuolumne County was generally consistent with performance in the full-scope assessment areas. The geographic distribution of small business loans was not evaluated as the assessment area has no low- and moderate-income census tracts. Lending levels to small businesses was significantly above aggregate lending levels but below the concentration of small businesses.

Community development performance in Tuolumne County was below that of the full-scope assessment areas. The bank had no community development activities in this assessment area during the review period.

## 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 PROFILES

#### ***Alameda***

Located on the eastern side of the San Francisco Bay, Alameda County is part of the Oakland-Fremont-Hayward Metropolitan Division and is part of one of the state's busiest urban areas. Nine counties make up the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. On an economic level, Alameda County interacts closely with Santa Clara, its neighbor to the south, and with San Mateo, across the Bay to the west. The California Department of Finance estimates the county's 2008 population at 1.5 million.<sup>1</sup>

PSB has a very limited presence in this competitive assessment area with only one branch in Hayward that opened in September 2007. As of June 30, 2008, there were 49 FDIC-insured institutions within this market operating 295 offices with deposits totaling \$29.2 billion. PSB's deposit market share was less than one percent, ranking the bank 48<sup>th</sup> among these depository institutions.<sup>2</sup> In 2008, there were 93 lenders that reported small business loans under the CRA. These lenders extended a total of 72,081 small business loans for \$1.8 billion.

The following exhibit presents key demographic and business information as well as the bank's lending distributions for the assessment area.

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<sup>1</sup> State of California Employment Development Department, Labor Market Information Division, *Alameda County Profile*, available from [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) (accessed October 29, 2009).

<sup>2</sup> FDIC, Institution Directory, Deposit Market Share Report, *Summary of Deposits*, June 30, 2008, (accessed on October 2, 2009); available at <http://www2.fdic.gov>.



EXHIBIT 10								
ASSESSMENT AREA DEMOGRAPHICS								
ALAMEDA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	42	13.1	30,780	9.0	8,399	27.3	78,212	22.9
Moderate-income	71	22.1	66,429	19.4	8,930	13.4	60,327	17.6
Middle-income	126	39.3	143,831	42.0	6,728	4.7	71,944	21.0
Upper-income	81	25.2	101,008	29.5	2,289	2.3	131,565	38.5
Tract not reported	1	0.3	0	0.0	0	0.0	0	0.0
<i>Total AA</i>	<i>321</i>	<i>100.0</i>	<i>342,048</i>	<i>100.0</i>	<i>26,346</i>	<i>7.7</i>	<i>342,048</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	54,497	12,499	4.4	22.9	38,641	70.9	3,357	6.2
Moderate-income	117,272	38,637	13.5	32.9	74,308	63.4	4,327	3.7
Middle-income	229,716	128,760	45.0	56.1	95,052	41.4	5,904	2.6
Upper-income	138,664	106,393	37.2	76.7	29,042	20.9	3,229	2.3
Tract not reported	34	17	0.0	50.0	17	50.0	0	0.0
<i>Total AA</i>	<i>540,183</i>	<i>286,306</i>	<i>100.0</i>	<i>53.0</i>	<i>237,060</i>	<i>43.9</i>	<i>16,817</i>	<i>3.1</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	9,487	14.3	8,266	14.0	942	15.8	279	18.7
Moderate-income	12,281	18.5	11,225	19.1	752	12.6	304	20.4
Middle-income	25,694	38.7	22,829	38.8	2,282	38.3	583	39.2
Upper-income	18,754	28.3	16,465	28.0	1,970	33.1	319	21.4
Tract not reported	106	0.2	89	0.2	13	0.2	4	0.3
<i>Total AA</i>	<i>66,322</i>	<i>100.0</i>	<i>58,874</i>	<i>100.0</i>	<i>5,959</i>	<i>100.0</i>	<i>1,489</i>	<i>100.0</i>
<b>Percentage of Total Businesses</b>		<b>88.8</b>		<b>9.0</b>		<b>2.2</b>		
2004 Median Family Income			\$68,346	June 2009 Median Housing Value <sup>3</sup>			\$332,500	
2009 HUD Adjusted Median Family Income			\$89,300	June 2009 Unemployment Rate <sup>4</sup>			10.9%	

<sup>3</sup> Data obtained from California Association of Realtors. Complete set of data not yet available for Alameda County; this data set accounts for approximately 80-90 percent of the complete set of data.

<sup>4</sup> Bureau of Labor Statistics (Haver Analytics), created on August 4, 2009 (accessed on 10/2/2009).

EXHIBIT 11			
GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Low	0.0	14.3	9.0
Moderate	0.0	18.6	15.0
Middle	25.0	38.8	39.8
Upper	75.0	28.3	36.2

EXHIBIT 12						
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 (%)
25.0	88.8	25.0	0.0	75.0	72,081	35.3

## **Calaveras**

Calaveras County is a nonmetropolitan county that is located on the eastern side of California's Central Valley and within the Mother Lode region of the Sierra Nevada Mountains. Surrounding counties include Amador to the north, Alpine to the east, Tuolumne to the south, and Stanislaus and San Joaquin to the west. Calaveras County is a popular tourist destination and several main roadways cross the county, connecting Calaveras to Stockton and other parts of the Central Valley. The California Department of Finance estimates the county's 2008 population at 46,127.<sup>5</sup>

PSB has a relatively significant presence in this fairly rural assessment area with two branches in the cities of Angels Camp and Arnold. As of June 30, 2008, there were only nine FDIC-insured institutions within this market operating 15 offices with deposits totaling \$411.0 million. PSB's deposit market share was 13.0 percent, ranking the bank third in the market.<sup>6</sup> In 2008, there were 33 lenders that reported small business loans under the CRA. These lenders extended a total of 1,565 small business loans for \$29.0 million.

The following exhibit presents key demographic and business information as well as the bank's lending distributions for the assessment area.

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<sup>5</sup> State of California Employment Development Department, Labor Market Information Division, *Calaveras County Profile*, available from [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) (accessed October 29, 2009).

<sup>6</sup> FDIC, Institution Directory, Deposit Market Share Report, *Summary of Deposits*, June 30, 2008, (accessed on October 2, 2009); available at <http://www2.fdic.gov>.

EXHIBIT 13								
ASSESSMENT AREA DEMOGRAPHICS								
CALAVERAS								
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	1,919	16.4
Moderate-income	0	0.0	0	0.0	0	0.0	1,792	15.3
Middle-income	4	57.1	6,120	52.3	621	10.1	2,554	21.8
Upper-income	3	42.9	5,587	47.7	397	7.1	5,442	46.5
<i>Total AA</i>	7	100.0	11,707	100.0	1,018	8.7	11,707	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Middle-income	10,210	6,679	51.5	65.4	1,947	19.1	1,584	15.5
Upper-income	12,736	6,285	48.5	49.3	1,558	12.2	4,893	38.4
<i>Total AA</i>	22,946	12,964	100.0	56.5	3,505	15.3	6,477	28.2
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		
		#	%	#	%	#	%	#
Middle-income	1,029	46.8	967	47.2	37	39.4	25	46.3
Upper-income	1,168	53.2	1,082	52.8	57	60.6	29	53.7
<i>Total AA</i>	2,197	100.0	2,049	100.0	94	100.0	54	100.0
<b>Percentage of Total Businesses</b>		<b>93.3</b>		<b>4.3</b>		<b>2.5</b>		
2004 Median Family Income			\$42,139	March 2009 Median Housing Value <sup>7</sup>			\$300,000	
2009 HUD Adjusted Median Family Income			\$55,800	June 2009 Unemployment Rate <sup>8</sup>			13.6%	

<sup>7</sup> City-Data.com, *Calaveras County, California Detailed Profile*, available from www.city-data.com (accessed November 4, 2009).

<sup>8</sup> Bureau of Labor Statistics (Haver Analytics), created on August 4, 2009 (accessed on October 2, 2009).

EXHIBIT 14 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Middle	37.5	46.8	56.1
Upper	62.5	53.2	43.9

EXHIBIT 15 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 (%)
50.0	93.3	75.0	20.8	4.2	1,565	28.2

## ***Tuolumne***

Tuolumne County is a nonmetropolitan county that lies on the western slope of the Sierra Nevada Mountains. Surrounding counties include Calaveras and Alpine to the north, Mono on the east, Mariposa to the south, and Stanislaus on the west. Three main highways, State Routes 49, 108, and 120, traverse Tuolumne and connect the county to other parts of the Central Valley. The California Department of Finance estimates the county's 2008 population at 56,779.<sup>9</sup>

PSB has a limited presence in this fairly rural assessment area with one branch in Groveland. As of June 30, 2008, there were only 14 FDIC-insured institutions within this market operating 21 offices with deposits totaling \$1.0 billion. PSB's deposit market share was 2.8 percent, ranking the bank ninth in the market.<sup>10</sup> In 2008, there were 28 lenders that reported small business loans under the CRA. These lenders extended a total of 2,108 small business loans for \$39.0 million.

The following exhibit presents key demographic and business information as well as the bank's lending distributions for the assessment area.

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<sup>9</sup> State of California Employment Development Department, Labor Market Information Division, *Tuolumne County Profile*, available from [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) (accessed October 29, 2009).

<sup>10</sup> FDIC, Institution Directory, Deposit Market Share Report, *Summary of Deposits*, June 30, 2008, (accessed on October 2, 2009); available at <http://www2.fdic.gov>.

EXHIBIT 16								
ASSESSMENT AREA DEMOGRAPHICS								
TUOLUMNE								
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	2,472	17.3
Moderate-income	0	0.0	0	0.0	0	0.0	2,531	17.7
Middle-income	9	81.8	12,072	84.4	1,021	8.5	3,185	22.3
Upper-income	1	9.1	2,223	15.6	139	6.3	6,107	42.7
Tract not reported	1	9.1	0	0.0	0	0.0	0	0.0
<i>Total AA</i>	<i>11</i>	<i>100.0</i>	<i>14,295</i>	<i>100.0</i>	<i>1,160</i>	<i>8.1</i>	<i>14,295</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Middle-income	21,388	12,502	83.6	58.5	5,348	25.0	3,538	16.5
Upper-income	6,948	2,459	16.4	35.4	695	10.0	3,794	54.6
<i>Total AA</i>	<i>28,336</i>	<i>14,961</i>	<i>100.0</i>	<i>52.8</i>	<i>6,043</i>	<i>21.3</i>	<i>7,332</i>	<i>25.9</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	
			#	%	#	%	#	%
Middle-income	2,600	87.6	2,406	87.8	131	87.3	63	80.8
Upper-income	367	12.4	333	12.2	19	12.7	15	19.2
<i>Total AA</i>	<i>2,967</i>	<i>100.0</i>	<i>2,739</i>	<i>100.0</i>	<i>150</i>	<i>100.0</i>	<i>78</i>	<i>100.0</i>
<b>Percentage of Total Businesses</b>			<b>92.3</b>		<b>5.1</b>		<b>2.6</b>	
2004 Median Family Income			\$42,139	August 2009 Median Housing Value <sup>11</sup>			\$292,960	
2009 HUD Adjusted Median Family Income			\$55,800	June 2009 Unemployment Rate <sup>12</sup>			12.1%	

<sup>11</sup> State of California Employment Development Department, Labor Market Information Division, *Tuolumne County Profile*, available from [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) (accessed October 29, 2009). Data for Tuolumne County is not available; data displayed is for California.

<sup>12</sup> Bureau of Labor Statistics (Haver Analytics), created on August 4, 2009 (accessed on 10/2/2009).

EXHIBIT 17 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS			
Census Tract Income Category	Bank Lending (%)	Business Concentration (%)	Aggregate Lending (%)
Middle	100.0	87.6	89.3
Upper	0.0	12.4	10.7

EXHIBIT 18 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 (%)
63.6	92.3	90.9	9.1	0.0	2,108	36.5