

# **PUBLIC DISCLOSURE**

**February 18, 2020**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Pacific Mercantile Bank**

**RSSD # 2717012**

**949 South Coast Drive, Suite 105  
Costa Mesa, California, 92626**

**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.*

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## INSTITUTION RATING

### ***Institution's Community Reinvestment Act (CRA) Rating***

Pacific Mercantile Bank is rated "Satisfactory"

*The following table shows the performance level of Pacific Mercantile Bank with respect to the lending, investment, and service tests.*

| PERFORMANCE LEVELS        | PERFORMANCE TESTS |                 |              |
|---------------------------|-------------------|-----------------|--------------|
|                           | LENDING TEST*     | INVESTMENT TEST | SERVICE TEST |
| OUTSTANDING               |                   |                 |              |
| HIGH SATISFACTORY         |                   | <b>X</b>        | <b>X</b>     |
| LOW SATISFACTORY          | <b>X</b>          |                 |              |
| NEEDS TO IMPROVE          |                   |                 |              |
| SUBSTANTIAL NONCOMPLIANCE |                   |                 |              |

\* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution's rating include:

- An adequate percentage of small business loans originated within the bank's assessment areas.
- An adequate geographic distribution of small business loans.
- A poor distribution of credit among businesses with gross annual revenues of less than \$1 million.
- An adequate level of community development lending activities that were responsive to the credit and community development needs within the bank's assessment areas.
- A significant level of community development investments and donations that exhibited good responsiveness to the community development needs of the assessment areas.
- Retail banking services that are accessible to the bank's geographies and individuals of different income levels in its assessment areas.
- A relatively high level of community development services that benefitted LMI individuals within the bank's assessment areas.

## INSTITUTION

### *Description of Institution*

Pacific Mercantile Bank (PMB) is a community bank headquartered in Costa Mesa, California that is a wholly-owned subsidiary of Pacific Mercantile Bancorp. PMB commenced operations on March 1, 1999, and currently operates four full-service branches and three loan production offices. The bank's assets totaled \$1.41 billion as of December 31, 2019.

PMB maintains a commercial focus by providing banking services to small- and middle-market businesses that are primarily located in Southern California. These services are provided in full-service branches located in Los Angeles County (Century City) and Orange County (Costa Mesa, La Habra, and Newport Beach). The bank also maintains loan production offices (LPOs) in San Diego County (La Jolla), San Bernardino County (Ontario), and Orange County (Irvine).

PMB provides a variety of products and services through traditional banking channels, as well as electronic platforms, which include online and mobile banking. The bank provides small business loans and lines of credit, including Small Business Administration (SBA) 7(a) and 504 loans as an SBA Preferred Lender. The bank does not advertise consumer loan products; however, the bank maintains a small portfolio of home equity lines of credit and has purchased certain consumer loans, which account for the majority of consumer loans reflected in Exhibit 1 below. Deposit products include checking accounts, money market accounts, savings accounts, and certificates of deposit for both business and personal purposes.

Exhibit 1 below summarizes PMB's loan portfolio as of June 30, 2019, and reflects the bank's focus on commercial lending.

| <b>EXHIBIT 1<br/>LOANS AND LEASES AS OF JUNE 30, 2019</b>    |                   |          |
|--|-------------------|----------|
| <b>Loan Type</b>   | <b>\$ ('000s)</b> | <b>%</b> |
| Commercial/Industrial & Non-Farm Non-Residential Real Estate | 841,328           | 77.3     |
| Consumer Loans & Credit Cards                                | 93,414            | 8.6      |
| Multi-Family Residential Real Estate                         | 83,965            | 7.7      |
| Secured by 1-4 Family Residential Real Estate                | 58,134            | 5.3      |
| Construction & Land Development                              | 12,228            | 1.1      |
| Total (Gross)  | 1,089,069         | 100.0    |

PMB converted its locations in Ontario and La Jolla from branches to LPOs in 2016. During the current review period, the bank formally revised its assessment areas to reflect these changes and now delineates the following two assessment areas:

- The Los Angeles Assessment Area, which consists of the Los Angeles-Long Beach-Glendale, CA Metropolitan Division (MD). This assessment area consists of the entirety of Los Angeles County.

- The Orange Assessment Area, which consists of the Anaheim-Santa Ana-Irvine, CA MD. This assessment area consists of the entirety of Orange County.

There were no legal or financial impediments that inhibited the bank's ability to meet the credit needs of its assessment areas consistent with its business strategy, size, financial capacity, and local economic conditions. PMB received a satisfactory rating at its previous CRA examination conducted as of November 6, 2017, under the Interagency Intermediate Small Institution CRA Examination Procedures.

## ***Scope of Examination***

PMB's performance was evaluated in accordance with the Interagency Large Institution CRA Examination Procedures given its increase in asset size since the previous examination. As such, performance was assessed under the lending, investment, and service tests. Consistent with these procedures, greater weight was placed on the bank's lending test performance relative to the investment and service tests. The evaluation period for the lending test was July 1, 2017, through June 30, 2019. The evaluation period for community development activity, including community development loans, investments, and services, was November 7, 2017 to February 18, 2020.

The Los Angeles and Orange assessment areas were both evaluated using full-scope examination procedures. The Orange assessment area performance carried greater weight due to its branch footprint, higher volume of small business loans, and larger percentage of deposits held. Given the bank's business strategy focused on commercial lending, the lending test evaluation was centered on the bank's small business loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Lending Test

PMB's overall performance under the lending test is rated low satisfactory. The bank's lending levels reflect adequate responsiveness to the credit needs of the assessment areas. A majority of loans are made inside the bank's assessment areas, and PMB adequately penetrated LMI geographies throughout Los Angeles and Orange counties. However, the distribution of credit to borrowers of different revenue sizes is poor, as the bank extended a low percentage of small business loans to businesses with gross annual revenues of less than \$1 million. In addition, PMB's community development lending demonstrates adequate responsiveness to the needs of its assessment areas, as evidenced by the bank's engagement in affordable housing initiatives and programs that benefit small businesses.

### LENDING ACTIVITY

The bank's lending levels reflect adequate responsiveness to the assessment areas' small business credit needs. Exhibit 2 below illustrates the bank's overall small business lending activity.

| EXHIBIT 2<br>SUMMARY OF LENDING ACTIVITY<br>JULY 1, 2017 TO JUNE 30, 2019 |     |       |            |       |
|---|-----|-------|------------|-------|
| Loan Type   | #   | %     | \$ ('000s) | %     |
| Small Business  | 331 | 97.6  | 132,088    | 96.3  |
| Other Small Business  | 8   | 2.4   | 5,095      | 3.7   |
| Total Business Related  | 339 | 100.0 | 137,183    | 100.0 |
| Total Loans   | 339 | 100.0 | 137,183    | 100.0 |

### ASSESSMENT AREA CONCENTRATION

An adequate percentage of small business loans were made within the bank's assessment areas. As depicted in Exhibit 3 on the following page, PMB extended a majority of its small business loans within its assessment areas during the review period. The relatively high percentage of loans made outside of the bank's assessment areas is due to the production of the bank's LPOs in San Bernardino County and San Diego County. These locations previously served as branch locations prior to converting to LPOs in 2016.

| EXHIBIT 3<br>LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS<br>JULY 1, 2017 TO JUNE 30, 2019 |        |      |            |      |         |      |            |      |
|---|--------|------|------------|------|---------|------|------------|------|
| Loan Type   | Inside |      |            |      | Outside |      |            |      |
|   | #      | %    | \$ ('000s) | %    | #       | %    | \$ ('000s) | %    |
| Small Business  | 182    | 55.0 | 82,056     | 62.1 | 149     | 45.0 | 50,032     | 37.9 |
| Other Small Business  | 7      | 87.5 | 4,345      | 85.3 | 1       | 12.5 | 750        | 14.7 |
| Total Business Related  | 189    | 55.8 | 86,401     | 63.0 | 150     | 44.2 | 50,782     | 37.0 |
| Total Loans   | 189    | 55.8 | 86,401     | 63.0 | 150     | 44.2 | 50,782     | 37.0 |

### GEOGRAPHIC AND BORROWER DISTRIBUTION

PMB's geographic distribution of small business loans reflects adequate penetration in low- and moderate-income geographies throughout its assessment areas. As shown in Table 2 of Appendix B, the bank's performance in low- and moderate-income census tracts was generally consistent with that of aggregate lenders. Performance in Los Angeles County was relatively stronger than the performance in Orange County.

The distribution of borrowers reflects poor penetration among businesses of different sizes. As shown in Table 3 of Appendix B, the bank's performance in lending to businesses with gross annual revenues of \$1 million or less was well below the performance of aggregate lenders operating in the bank's assessment areas. Although the bank's performance falls below that of aggregate lenders, the bank has improved its performance under this criterion since the previous examination. In addition, prior to making changes to its assessment areas during the review period, the bank made concerted efforts to address lending to businesses with gross annual revenues of \$1 million or less by purchasing a number of microloans in San Diego County. These loans were purchased from a non-profit organization serving this area and many of these loans were made to start-up businesses that were unable to obtain traditional financing from financial institutions.

### COMMUNITY DEVELOPMENT LENDING

PMB made an adequate level of community development loans that demonstrated responsiveness to community development needs. The bank extended 53 community development loans, totaling \$101.0 million, within its assessment areas. In addition, PMB made or purchased 18 community development loans, totaling \$11.0 million, that benefitted the broader statewide or regional areas. A substantial majority of the community development loans supported affordable housing initiatives and promoted economic development, both of which were identified as significant needs of the assessment areas. The majority of community development loans in the broader statewide or regional area are the result of participation in a program that assists first-time homebuyers that are LMI borrowers to achieve homeownership by providing down payment assistance through forgivable loans. PMB originated seven loans for \$150,000 under this program in the broader statewide area and made similar loans throughout Los Angeles and Orange counties during the review period.

## ***Investment Test***

PMB's performance under the investment test is rated high satisfactory due to a significant level of qualified community development investments made by the bank during the review period. As shown in Table 4 of Appendix B, PMB made a total of 14 investments totaling \$12.5 million in qualified community development investments within the assessment areas. Six investments, totaling \$1.7 million, were prior period investments, and eight investments, totaling \$10.7 million, were made during the review period. PMB also made 15 investments, totaling \$5.4 million, in qualified investments in the broader statewide and regional areas. The bank's community development investments primarily consisted of investments in minority-owned financial institutions and multifamily mortgage-backed securities that demonstrated a primary purpose of community development. However, PMB also made one investment totaling \$500,000 into a Small Business Investment Company that benefitted both the Los Angeles and Orange assessment areas. Investments were responsive to pressing community needs for affordable housing and provided capacity for minority-owned financial institutions to further address the community development needs in their communities.

The bank provided \$349,768 in grants and donations to various organizations that focus on assisting LMI populations during the review period. Of this total, \$121,800 was provided to organizations at a broader statewide or regional area. For example, PMB offers Interest on Lawyers' Trust Accounts (IOLTA), whereby the interest and dividends generated on such accounts supports the Legal Services Trust Fund Program at the State Bar of California. This program provides funding for legal services for low-income individuals in the state of California. PMB voluntarily waived \$11,172 in service charges on IOLTAs during the review period, which ultimately supported this program. The bank also maintains Representative Payee Accounts (RPA) for agencies that manage finances for low-income individuals that are unable to do so. During the review period, the bank waived a total of \$47,751 in fees associated with this program which benefitted LMI individuals in the greater statewide or regional areas.

## ***Service Test***

PMB's performance under the service test is rated high satisfactory. Retail banking services offered by the bank are accessible throughout the bank's assessment areas. Branch hours and services do not vary in a way that inconvenience any portion of the assessment areas. Bank employees also provided a relatively high level of community development services within its assessment areas as well as in the broader statewide or regional areas.

### **RETAIL BANKING SERVICES**

PMB's delivery systems are accessible and reasonably serve geographies and individuals of different income levels within its assessment areas. During the review period, the bank operated four branch offices, one of which is located in a moderate-income census tract. There were no branch openings or closings during the review period. No differences existed in operating hours, available products and services, or accessibility to banking services between the branches that would negatively impact LMI individuals.

The bank offers alternate delivery systems via online and mobile banking services which are available to individuals and geographies of all income levels. These alternate systems allow for access to banking



transactions after traditional business hours. Banking services provided through mobile banking include access to view account activity, instantaneous funds transfer, check deposit, and bill pay transactions. Online banking services include access to account balances, check deposits, loan advances and payments, stop payment initiation, and real-time transfers between PMB accounts.

## **COMMUNITY DEVELOPMENT SERVICES**

PMB provided a relatively high level of community development services that primarily supported LMI individuals, including the very poor and those experiencing homelessness. Bank employees contributed a total of 2,032 community development service hours to support various community development needs. A total of 1,072 service hours were provided to organizations within the Los Angeles and Orange assessment areas. These organizations engage in activities focused on affordable housing initiatives, outreach efforts to address homelessness, healthcare and education to the poor, and community services focused on LMI youth. In addition, 960 service hours were provided in the broader statewide or regional areas, primarily through programs that assist LMI individuals and families in attaining affordable homeownership.

## ***Fair Lending or Other Illegal Practices Review***

Concurrent with this CRA evaluation, a review of PMB's compliance with consumer protection laws and regulations was conducted. That review found no violations of the substantive provisions of anti-discrimination and fair lending laws or regulations, or of other credit practice rules, laws or regulations.

## **FULL-SCOPE ASSESSMENT AREA CONCLUSIONS**

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

### **Los Angeles Assessment Area**

#### **DESCRIPTION OF OPERATIONS IN LOS ANGELES**

The Los Angeles assessment area consists of Los Angeles County in its entirety. Los Angeles County is located south of Kern County, east of Ventura County, and north of Orange County. The area is part of the Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (MSA) and composes the entirety of the Los Angeles-Long Beach-Glendale, CA MD. As of 2018, the assessment area was home to 10.1 million people.<sup>1</sup>

As of June 30, 2019, the bank operated one office in Los Angeles County and held \$129.8 million in deposits, representing 0.03 percent of the deposit market share.<sup>2</sup> In comparison, there were a total of 101 Federal Deposit Insurance Corporation (FDIC)-insured commercial institutions operating 1,715 offices within Los Angeles County, with deposits totaling over \$440 billion.<sup>3</sup>

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

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<sup>1</sup> U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2018; available from: [www.census.gov/quickfacts/](http://www.census.gov/quickfacts/).

<sup>2</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2019; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

<sup>3</sup> Ibid.

| EXHIBIT 4<br>ASSESSMENT AREA DEMOGRAPHICS<br>LOS ANGELES ASSESSMENT AREA<br>2019 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   | 221                       | 9.4                    | 169,721                            | 7.8   | 64,891   | 38.2  | 536,521                   | 24.5  |
| Moderate-income  | 674                       | 28.7                   | 612,876                            | 28.0  | 142,138  | 23.2  | 356,959                   | 16.3  |
| Middle-income  | 583                       | 24.9                   | 562,806                            | 25.7  | 65,789   | 11.7  | 365,317                   | 16.7  |
| Upper-income   | 817                       | 34.8                   | 837,917                            | 38.3  | 39,895   | 4.8   | 927,688                   | 42.4  |
| Unknown-income   | 51                        | 2.2                    | 3,165                              | 0.1   | 609  | 19.2  | 0                         | 0.0   |
| Total AA   | 2,346                     | 100.0                  | 2,186,485                          | 100.0                                       | 313,322  | 14.3  | 2,186,485                 | 100.0 |
| Income Categories  | Housing Units by Tract    | Housing Types by Tract |                                    |   |  |       |                           |       |
|  |                           | Owner-Occupied         |                                    |   | Rental   |       | Vacant                    |       |
|  |                           | #                      | %                                  | %   | #  | %     | #                         | %     |
| Low-income   | 270,711                   | 36,473                 | 2.4                                | 13.5  | 215,727  | 79.7  | 18,511                    | 6.8   |
| Moderate-income  | 914,450                   | 257,889                | 17.2                               | 28.2  | 602,313  | 65.9  | 54,248                    | 5.9   |
| Middle-income  | 862,245                   | 398,333                | 26.6                               | 46.2  | 415,247  | 48.2  | 48,665                    | 5.6   |
| Upper-income   | 1,410,252                 | 805,799                | 53.7                               | 57.1  | 514,338  | 36.5  | 90,115                    | 6.4   |
| Unknown-income   | 19,060                    | 1,385                  | 0.1                                | 7.3   | 15,565   | 81.7  | 2,110                     | 11.1  |
| Total AA   | 3,476,718                 | 1,499,879              | 100.0                              | 43.1  | 1,763,190  | 50.7  | 213,649                   | 6.1   |
| 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   | 24,024                    | 4.7                    | 21,890                             | 4.7   | 1,987  | 4.9   | 147                       | 4.3   |
| Moderate-income  | 99,162                    | 19.4                   | 89,646                             | 19.2  | 8,938  | 22.0  | 578                       | 16.9  |
| Middle-income  | 112,641                   | 22.0                   | 102,368                            | 21.9  | 9,649  | 23.7  | 624                       | 18.3  |
| Upper-income   | 264,424                   | 51.7                   | 244,729                            | 52.3  | 17,767   | 43.7  | 1,928                     | 56.5  |
| Unknown-income   | 11,348                    | 2.2                    | 8,912                              | 1.9   | 2,299  | 5.7   | 137                       | 4.0   |
| Total AA   | 511,599                   | 100.0                  | 467,545                            | 100.0                                       | 40,640   | 100.0 | 3,414                     | 100.0 |
| % of Total Businesses  |                           |                        |                                    | 91.4  |  | 7.9   |                           | 0.7   |
| 2019 Median Family Income <sup>4</sup>   |                           |                        | \$62,703                           | June 2019 Median Housing Value <sup>5</sup> |  |       | \$599,680                 |       |
| 2019 HUD Adjusted Median Family Income <sup>6</sup>  |                           |                        | \$73,100                           | 2018 Unemployment Rate <sup>7</sup>         |  |       | 4.6%                      |       |

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

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

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

<sup>7</sup> Annual Unemployment Rate, U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://www.bls.gov/lau/>.

## Economic Conditions

During the review period, the Los Angeles assessment area experienced overall economic 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.<sup>8</sup> Despite a number of wildfires throughout the review period, the area's economy remained unscathed as the fires largely spared business centers and tourist destinations.<sup>9</sup> Primary economic drivers in Los Angeles County were technology, tourism, and logistics, including trade and transportation.<sup>10</sup> From 2018 to 2019, the Ports of Los Angeles and Long Beach had a nominal increase in imports of less than one percent.<sup>11</sup> However, the deep water harbor has remained an asset that enables the area to handle larger ships that other ports cannot accommodate.<sup>12</sup> In 2018, the Port of Los Angeles set a record for the most cargo it handled in a single month.<sup>13</sup> There was also growth in the tourism sector. The number of visitors to the area increased for the eighth consecutive year in 2018.<sup>14</sup> The increase in visitors helped grow the hospitality industry by approximately 4 percent and made the industry one of the fastest growing sectors of the area's economy.<sup>15</sup> In addition, the technology cluster drove dynamic economic growth in the area during the review period.<sup>16</sup> Although Silicon Beach was a small portion of the economy, the sector contributed a large share of high-wage job growth and investment.<sup>17</sup>

As depicted in Exhibit 5 on the following page, small business lending showed improvement during the review period. Although loans to small businesses from banks subject to the CRA increased during the review period, lending remained below pre-Great Recession levels. Lending to small businesses played a critical role in the economy given that small businesses accounted for 91.4 percent of all businesses in the assessment area, as noted in Exhibit 4.

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

<sup>9</sup> Moody's Precis Report, Los Angeles-Long Beach-Glendale, CA, November 2018.

<sup>10</sup> Moody's Precis Report, Los Angeles-Long Beach-Glendale, CA, May 2019.

<sup>11</sup> Ibid.

<sup>12</sup> Moody's Precis Report, Los Angeles-Long Beach-Glendale, CA, May 2019.

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

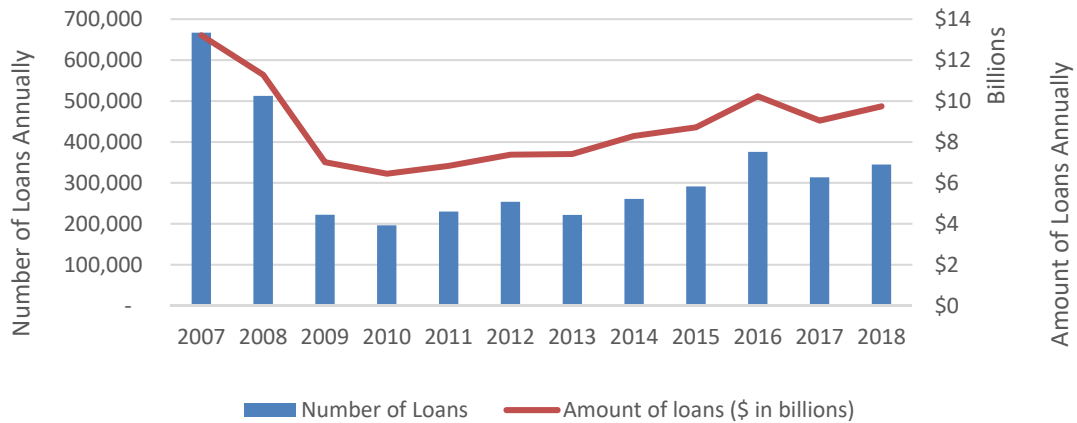
<sup>14</sup> Los Angeles Business Journal, L.A. Sets New Tourism Record with 50M Visitors, January 16, 2019; available from: <https://labusinessjournal.com/news/2019/jan/16/l-sets-new-tourism-record-50m-visitors/>.

<sup>15</sup> Ibid.

<sup>16</sup> Moody's Precis Report, Los Angeles-Long Beach-Glendale, CA, November 2018.

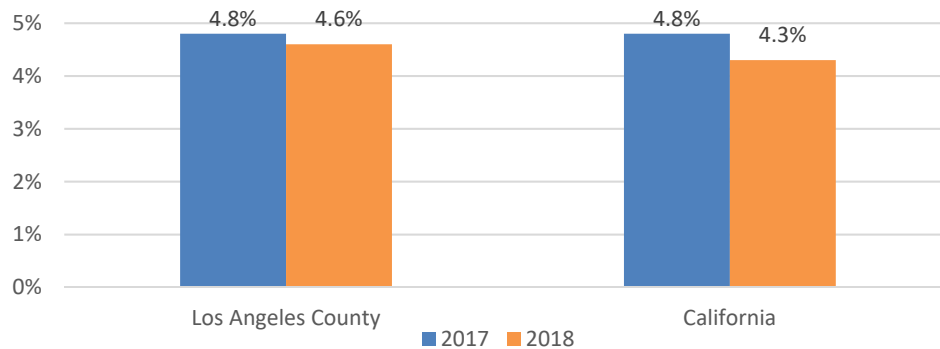
<sup>17</sup> Ibid.

EXHIBIT 5  
Loans to Small Businesses in Assessment Area<sup>18</sup>  
2007-2018



There was a slight decrease in the unemployment rate in Los Angeles County during the review period. Comparatively, the statewide unemployment rate fell below the area’s unemployment rate during the review period, as depicted in Exhibit 6 below.

EXHIBIT 6  
Unemployment Rate<sup>19</sup>  
2017-2018



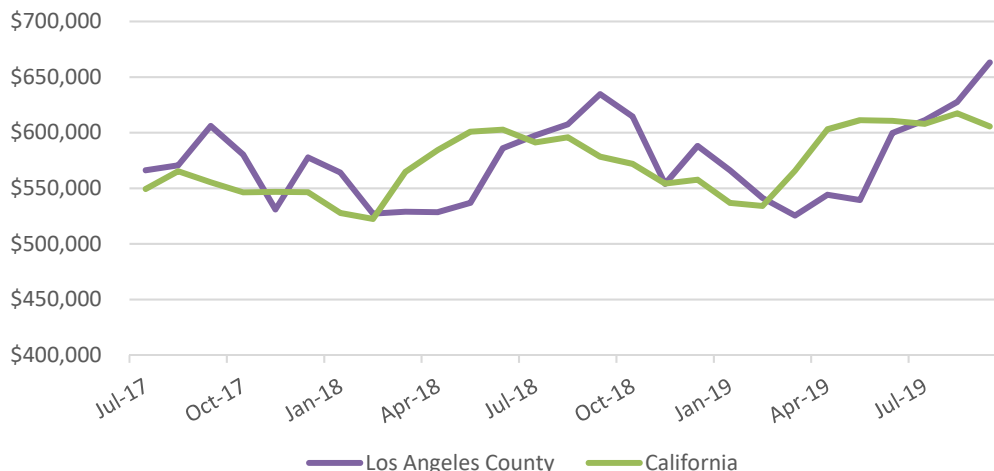
Median home prices in the assessment area and in California overall hovered between \$500,000 and \$650,000 during the review period, as depicted in Exhibit 7 on the following page. The area’s median home price peaked in September 2019 to \$663,110. High housing costs in the area made homeownership less accessible to households. According to the California Association of Realtors’ Traditional Housing Affordability Index, 25 percent of families can afford to purchase the median priced home in the region, compared to 56 percent of families in the U.S.<sup>20</sup>

<sup>18</sup> Aggregate CRA Small Business data reports available from: <https://www.ffiec.gov/craadweb/aggregate.aspx>.

<sup>19</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://www.bls.gov/lau/>.

<sup>20</sup> California Association of Realtors, Housing Affordability Index-Traditional, 2019 Q3; available from: <http://www.car.org/marketdata/data/haitraditional/>.

EXHIBIT 7  
Median Home Prices<sup>21</sup>  
July 2017- September 2019



In addition to rising costs of homeownership, rental prices also increased during the review period. The median rent in Los Angeles County as of September 2019 was \$2,295.<sup>22</sup> High rental prices were exacerbated by the shortage of affordable rental units. The area comprised of Los Angeles and Orange counties had the fourth most severe shortage of rental homes available for extremely low-income households (i.e., households with incomes below 30 percent area median income) in the nation.<sup>23</sup> Only 18 affordable rental units were available for every 100 households with extremely low income.<sup>24</sup> Furthermore, more than 58 percent of households who rent were cost burdened, or spent more than 30 percent of their income on rent and utilities.<sup>25</sup>

Homelessness was a significant issue in the area during the review period. In Los Angeles County, the number of people experiencing homelessness increased by 12 percent from 52,765 people in 2018 to 58,936 people in 2019.<sup>26</sup> Over half of the people experiencing homelessness were located in the city of Los Angeles.<sup>27</sup> The spike in the number 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.<sup>28</sup>

As depicted in Exhibit 8 on the following page, the poverty rate in the assessment area was above the statewide average. However, the usage rate of public assistance or food stamp/SNAP benefits during the review period was lower than the statewide average. Both the poverty and public assistance or food

<sup>21</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/marketdata/data/housingdata/>.

<sup>22</sup> Zillow, Zillow Median Rent List Price, 1-Bedroom; available from: <https://www.zillow.com/research/data/>.

<sup>23</sup> National Low Income Housing Coalition, The Gap, March 2019; available from: <https://reports.nlihc.org/gap>.

<sup>24</sup> Ibid.

<sup>25</sup> Prosperity Now Scorecard, Los Angeles County; available from: <https://scorecard.prosperitynow.org/>.

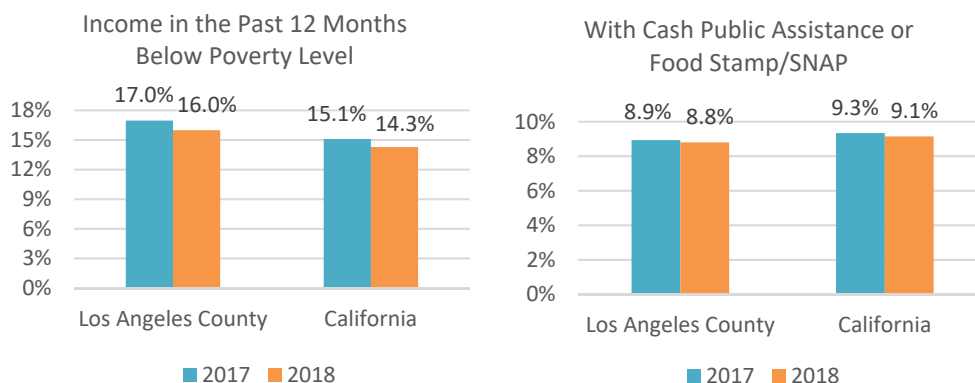
<sup>26</sup> Los Angeles Times, Homelessness jumps 12% in L.A. County, June 2019; available from: <https://www.latimes.com/local/lanow/la-me-ln-homeless-count-encampment-affordable-housing-2019-06-04-story.html>.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

stamps/SNAP usage rates decreased during the review period. Despite the slight decrease in the poverty rate, the prevalence of poverty in the area remained high. Many households in the area, 44 percent, lived in liquid asset poverty (without sufficient liquid assets to subsist at the poverty level for three months in the absence of income).<sup>29</sup> The liquid asset poverty rate in the area exceeded the state and nationwide rates.<sup>30</sup>

**EXHIBIT 8**  
**Poverty and Food Stamp Usage Rates<sup>31</sup>**  
**2017-2018**



**Credit and Community Development Needs**

The economic data and feedback from community contacts indicate that small businesses in the assessment area are facing challenges in accessing credit. As previously shown in Exhibit 5, small business lending levels improved during the review period; however, they remained below pre-Great Recession levels. The Small Business Credit Survey found that of the 43 percent of small businesses that applied for financing in the prior 12-month period, only 47 percent received all the credit they needed.<sup>32</sup> Most firms applied for less than \$100,000, primarily to expand their business or cover operating expenses.<sup>33</sup> More than half of applicants who sought financing in this range did not obtain the amount of financing needed.<sup>34</sup> The majority of applicants applied for loans or lines of credit from large banks.<sup>35</sup> However, applicants who applied for loans or lines of credit from online lenders grew from 19 percent in 2016 to 32 percent in 2018.<sup>36</sup> 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.<sup>37</sup> The

<sup>29</sup> Prosperity Now Scorecard, Los Angeles County; available from: <https://scorecard.prosperitynow.org/>.

<sup>30</sup> Ibid.

<sup>31</sup> Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.

<sup>32</sup> Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

<sup>33</sup> Ibid.

<sup>34</sup> Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

survey noted that the largest funding gap was most prevalent for businesses who sought between \$100,000 and \$250,000.<sup>38</sup> A community contact noted that a number of financial institutions have launched micro-loan products that share similar characteristics as products offered by microlenders in the area. The micro-loan products from financial institutions were welcome in this market where there remains more need than can be addressed, according to a community contact.

Affordable commercial space was also an issue for small business owners in the area. Many business owners were unable to secure or retain commercial space for their business due to rising real estate costs. A community contact noted that in addition to the high cost of commercial space, there was a general tension in the community between access to living wage jobs and the unaffordability of housing.

According to community contacts, investments in community organizations from financial institutions are some of the most impactful activities that banks can perform to help meet the credit needs of the community. However, it was noted during interviews that funds received through sponsorships are often offset by administrative costs and that organizations would benefit more from grants or direct investments.

The prevalence of poverty in the area highlights the importance of community service organizations providing needed social support services. A community contact noted the need in the community to provide financial education to residents in need of financial literacy skills and improved credit. The ongoing demand for supportive services leaves community organizations in need of investments from banks. Overall, the community's credit needs remain unmet and create an opportunity for banks to participate in small business lending, as well as investments into and partnerships with community organizations.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES**

### **Lending Test**

PMB's lending test performance in the Los Angeles assessment area is adequate, as lending activity in the assessment area reflects adequate responsiveness to community credit needs. The geographic distribution of loans reflects reasonable penetration throughout the assessment area, and the bank makes a relatively high level of community development loans within Los Angeles County. However, the distribution of credit to borrowers reflects poor penetration among businesses of different sizes.

### ***Lending Activity***

As shown in Table 1 in Appendix B, the bank originated or renewed 75 small business loans that totaled approximately \$27.4 million within the assessment area, which reflected adequate responsiveness to the credit needs of Los Angeles County.

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<sup>38</sup> Ibid.



### ***Lending Distribution by Geography***

The bank's geographic distribution of small business loans reflects good penetration throughout the Los Angeles assessment area. As shown in Table 2 of Appendix B, PMB extended a relatively high percentage of small business loans in LMI geographies, and lending patterns did not exhibit unusual or conspicuous geographical gaps. The bank's performance was particularly strong in moderate-income census tracts, whereas performance in low-income census tracts was generally consistent with the performance of aggregate lenders.

### ***Lending Distribution by Business Revenue***

PMB's small business loans reflect poor distribution among businesses of different revenue sizes in the Los Angeles assessment area. As shown in Table 3 in Appendix B, PMB originated a low percentage of small business loans to businesses with gross annual revenues of \$1 million or less relative to aggregate lenders operating in the assessment area. However, the bank originated slightly over 50 percent of its small business loans with amounts of \$250,000 or less, which helps to address a need for smaller dollar credit.

### ***Community Development Lending***

PMB made a relatively high level of community development loans in the Los Angeles assessment area during the review period. The bank extended 28 community development loans in Los Angeles County, which totaled approximately \$81.3 million. The majority of community development loans provided affordable housing for LMI individuals and families within the assessment area. Of the 28 loans extended, 20 loans totaling \$67.0 million supported affordable housing initiatives that provided 458 housing units and down payment assistance for first-time homebuyers. Four loans totaling \$7.3 million promoted economic development and helped to retain at least 35 jobs for LMI individuals. In addition, three loans totaling \$6.0 million revitalized or stabilized LMI geographies within the Los Angeles assessment area.

The following are examples of PMB's community development lending:

- A \$17 million purchase of a loan made on an 81-unit apartment complex located in Los Angeles County. All of the units in the complex qualified as affordable housing.
- A \$5.3 million loan for an existing 90-unit apartment complex, which provides below market rates for all renters.
- A \$3.4 million purchase of a loan made on a multifamily property, which provided 40 affordable housing units to LMI individuals and families within Los Angeles County.
- A \$1.2 million loan made to a small business owner of food trucks and ice cream parlors throughout Los Angeles which retained 51 jobs for LMI individuals.
- A \$2 million loan made to a frozen food manufacturing company located in a moderate-income geography, which enabled the business to create 35 additional jobs for LMI individuals.

## Investment Test

PMB's investment test performance in the Los Angeles assessment area is good. The bank made a significant level of qualified investments, grants, and donations within Los Angeles County. As shown in Table 4 in Appendix B, qualified community development investments totaled approximately \$9.1 million, which included \$9.0 million in investments and \$90,570 in grants and donations.

The bank made six investments in four minority-owned depository institutions within the Los Angeles assessment area, totaling approximately \$1.5 million. In addition, PMB made four investments totaling \$7.5 million into multifamily mortgage-backed securities. These securities were designed to support affordable housing initiatives for properties located in Los Angeles County.

PMB made 23 grants and donations within the Los Angeles assessment area during the review period. Donations were provided to organizations focused on providing community services to LMI individuals and families, as well as organizations that provide community services to the homeless, women in crisis, and underprivileged youth. Notable community development grants and donations in the assessment area include:

- A total of \$23,000 to an organization that provides quality healthcare, education programs, and social services to the poor, the underprivileged, and LMI individuals of Los Angeles County.
- A total of \$13,000 to an organization that provides speech and language development services to LMI families that have children who are at-risk for developmental delays.
- A total of \$10,000 to an organization that provides resource programs, workshops, and mentorship to LMI young women living in underprivileged local communities.

## Service Test

PMB's service test performance in the Los Angeles assessment area is adequate. Bank employees provided a reasonable level of qualified community development services within the assessment area. Retail banking services are accessible to geographies of different income levels, and branch hours and services do not vary in a way that inconveniences portions of the assessment area, including LMI census tracts. No branching activity occurred during the review period that would adversely affect LMI individuals or geographies.

### ***Retail Banking Services***

The Los Angeles assessment area contains one branch located in an upper-income census tract, as shown on Table 5 of Appendix B. The bank's activities do not vary in a way that inconveniences LMI individuals and geographies, as banking services are the same for all populations and businesses within the assessment area. As previously mentioned, the bank offers alternative delivery systems via online and mobile banking services, which are accessible to geographies and individuals of different income levels. PMB also offers a Bank by Mail program for those without access to smart phones or access to the internet.

### ***Community Development Services***

PMB provided an adequate level of community development services in the Los Angeles assessment area. Bank employees provided 295 community development service hours during the review period. The majority of these service hours were provided through board and committee memberships for organizations that provide services to the poor and underprivileged. Bank employees also provided expertise to organizations that focus on meeting community needs within Los Angeles County.

Notable community development services include:

- A total of 149 hours serving on the board of directors for an organization that provides quality healthcare, education programs, and social services to the poor, the underprivileged, and LMI individuals of Los Angeles.
- A total of 90 hours serving on a Pre-Owned Uniform Committee of an elementary school that focuses on providing LMI families with school uniforms.
- A total of 50 hours serving on the board of directors of an organization that provides comprehensive treatment and services to children of LMI families who are diagnosed with autism spectrum disorder and other special needs.

## ***Orange Assessment Area***

### **DESCRIPTION OF OPERATIONS IN ORANGE**

The Orange assessment area consists of Orange County in its entirety. The area is part of the Los Angeles-Long Beach-Anaheim, CA MSA and composes the entirety of the Anaheim-Santa Ana-Irvine, CA MD. Orange County is located south of Los Angeles County and is bordered by San Bernardino and Riverside Counties to the east and by San Diego County to the south. As of July 2018, the assessment area was home to 3.2 million people.<sup>39</sup>

As of June 30, 2019, the bank operated five offices in Orange County and held \$1.1 billion in deposits, representing 0.84 percent of the deposit market share.<sup>40</sup> In comparison, there were a total of 79 FDIC-insured commercial institutions operating 639 offices within Orange County, with deposits totaling over \$128 billion.<sup>41</sup>

Exhibit 9 on the following page presents key demographic and business information used to help develop a performance context for the assessment area.

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<sup>39</sup> U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2018; available from: [www.census.gov/quickfacts/](http://www.census.gov/quickfacts/).

<sup>40</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2019; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

<sup>41</sup> Ibid.

| EXHIBIT 9<br>ASSESSMENT AREA DEMOGRAPHICS<br>ORANGE ASSESSMENT AREA<br>2019 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  | 45                        | 7.7                    | 52,075                             | 7.2   | 13,836   | 26.6  | 173,089                   | 23.8      |
| Moderate-income   | 147                       | 25.2                   | 175,738                            | 24.2  | 26,958   | 15.3  | 118,318                   | 16.3      |
| Middle-income   | 177                       | 30.4                   | 210,988                            | 29.0  | 14,855   | 7.0   | 130,291                   | 17.9      |
| Upper-income  | 211                       | 36.2                   | 288,183                            | 39.6  | 10,574   | 3.7   | 305,355                   | 42.0      |
| Unknown-income  | 3                         | 0.5                    | 69                                 | 0.0   | 0  | 0.0   | 0                         | 0.0       |
| Total AA  | 583                       | 100.0                  | 727,053                            | 100.0 | 66,223   | 9.1   | 727,053                   | 100.0     |
| Income Categories   | Housing Units by Tract    | Housing Types by Tract |                                    |       |  |       |                           |           |
|   |                           | Owner-Occupied         |                                    |       | Rental   |       | Vacant                    |           |
|   |                           | #                      | %                                  | %     | #  | %     | #                         | %         |
| Low-income  | 69,793                    | 19,072                 | 3.3                                | 27.3  | 47,712   | 68.4  | 3,009                     | 4.3       |
| Moderate-income   | 256,945                   | 108,125                | 18.6                               | 42.1  | 136,872  | 53.3  | 11,948                    | 4.7       |
| Middle-income   | 325,363                   | 174,139                | 29.9                               | 53.5  | 134,222  | 41.3  | 17,002                    | 5.2       |
| Upper-income  | 412,343                   | 280,738                | 48.2                               | 68.1  | 108,354  | 26.3  | 23,251                    | 5.6       |
| Unknown-income  | 198                       | 77                     | 0.0                                | 38.9  | 42   | 21.2  | 79                        | 39.9      |
| Total AA  | 1,064,642                 | 582,151                | 100.0                              | 54.7  | 427,202  | 40.1  | 55,289                    | 5.2       |
| 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      |           |
|   |                           |                        | #                                  | %     | #  | %     | #                         | %         |
| Low-income  | 11,213                    | 6.0                    | 9,582                              | 5.6   | 1,564  | 9.2   | 67                        | 5.1       |
| Moderate-income   | 38,683                    | 20.6                   | 34,712                             | 20.4  | 3,761  | 22.1  | 210                       | 16.1      |
| Middle-income   | 66,651                    | 35.4                   | 59,026                             | 34.8  | 7,178  | 42.2  | 447                       | 34.2      |
| Upper-income  | 70,687                    | 37.6                   | 65,867                             | 38.8  | 4,245  | 24.9  | 575                       | 44.0      |
| Unknown-income  | 891                       | 0.5                    | 614                                | 0.4   | 270  | 1.6   | 7                         | 0.5       |
| Total AA  | 188,125                   | 100.0                  | 169,801                            | 100.0 | 17,018   | 100.0 | 1,306                     | 100.0     |
| % of Total Businesses   |                           |                        |                                    | 90.3  |  | 9.0   |                           | 0.7       |
| 2019 Median Family Income <sup>42</sup>   |                           |                        | \$86,003                           |       | June 2019 Median Housing Value <sup>43</sup>       |       |                           | \$842,000 |
| 2019 HUD Adjusted Median Family Income <sup>44</sup>  |                           |                        | \$97,900                           |       | 2018 Unemployment Rate <sup>45</sup>               |       |                           | 3.0%      |

<sup>42</sup> FFIEC Median Family Income, available from: <https://www.ffiec.gov/Medianincome.htm>.

<sup>43</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/marketdata/data/housingdata/>.

<sup>44</sup> FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

<sup>45</sup> Annual Unemployment Rate, U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://www.bls.gov/lau/>.

## Economic Conditions

During the review period, the assessment area experienced overall economic growth. Orange County's favorable demographics were an important support to the area's growth.<sup>46</sup> Orange County ranked among the top 10 percent of areas in the nation with a high concentration of residents with a bachelor's degree and for residents in the prime age of their working years.<sup>47</sup> This highly trained, well-educated workforce remained a top strength of the area during the review period.<sup>48</sup> The economic drivers in the area were tourism, healthcare, and technology.<sup>49</sup> The number of visitors to the area increased to a four-year high of 49 million people in 2017.<sup>50</sup> Disney's \$1 billion Star Wars-based theme park drove investment in the tourism sector.<sup>51</sup> In addition, the new theme park positioned area payrolls at an all-time high.<sup>52</sup>

Overall, three quarters of net new jobs in the area were in the leisure and hospitality industries.<sup>53</sup> Due to the presence of leading university hospitals, the area is a major healthcare hub.<sup>54</sup> Although job growth in the healthcare sector slowed during the review period, it remained nearly double the national average.<sup>55</sup> Hospitals in the area expanded facilities to keep up with rising demand of care and at least one university expanded their nursing programs.<sup>56</sup> In addition to healthcare, the area is a hub for biotechnology and information technology companies that are attracted to the area's lower costs in comparison to the San Francisco Bay Area as well as the skilled workforce.<sup>57</sup> Growth in the sector was driven by the inflow of record levels of venture capital.<sup>58</sup> The area's housing market experienced a slowdown in home sales early in the review period.<sup>59</sup> Home price appreciation also slowed during the review period due to declining affordability in the area.<sup>60</sup> In addition, single-family housing starts decreased during the review period.<sup>61</sup>

As depicted in Exhibit 10 on the following page, loans to small businesses from banks subject to the CRA leveled off in 2017 and 2018 after a spike in lending in 2016. Lending to small businesses played a critical role in the economy given that small businesses accounted for 90.3 percent of all businesses in the assessment area, as noted in Exhibit 9.

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<sup>46</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2017.

<sup>52</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2019.

<sup>53</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2017.

<sup>57</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2019.

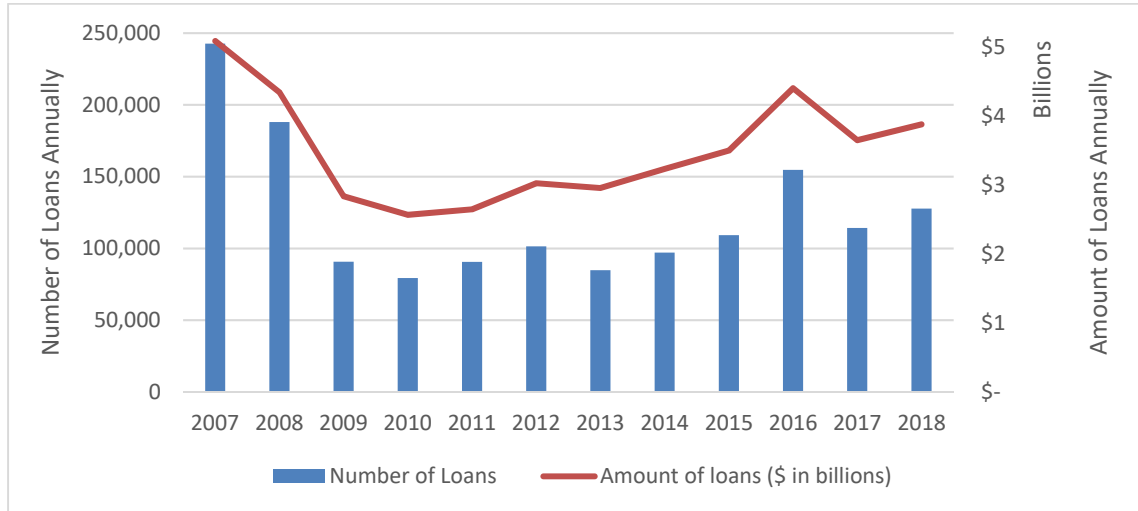
<sup>58</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

<sup>59</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2017.

<sup>60</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2019.

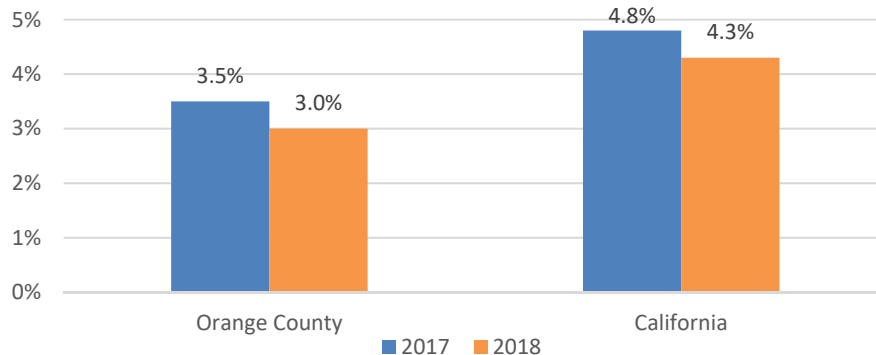
<sup>61</sup> Ibid.

**EXHIBIT 10**  
**Loans to Small Businesses in Assessment Area<sup>62</sup>**  
**2007-2018**



As depicted in Exhibit 11 below, the unemployment rate in Orange County decreased and remained below the statewide unemployment rate during the review period.

**EXHIBIT 11**  
**Unemployment Rate<sup>63</sup>**  
**2017-2018**



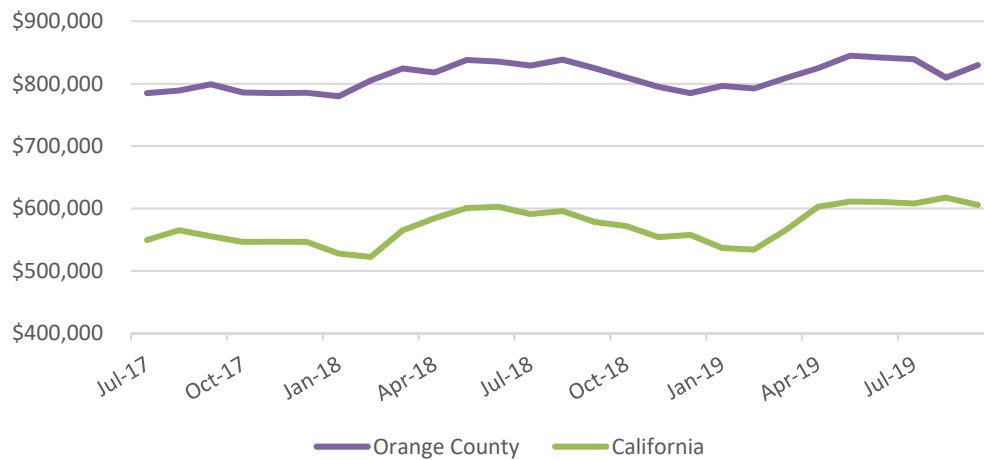
Median home prices in the assessment area were approximately 40 percent higher than the statewide median price at the end of the review period, as depicted in Exhibit 12 on the following page. In May 2019, the median home price peaked in the area at \$845,000. Families in Orange County faced similar challenges as families in Los Angeles County to attain homeownership due to the high cost of housing. According to the California Association of Realtors' Traditional Housing Affordability Index,

<sup>62</sup> Aggregate CRA Small Business data reports available from: <https://www.ffiec.gov/craadweb/aggregate.aspx>.

<sup>63</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://www.bls.gov/lau/>.

25 percent of families in Orange County could afford to purchase the median priced home in the region, compared to 56 percent of families in the U.S.<sup>64</sup>

EXHIBIT 12  
Median Home Prices<sup>65</sup>  
July 2017- September 2019



In addition to the rising costs of homeownership, rental prices also increased. The average rent for Orange County as of September 2019 was \$2,040.<sup>66</sup> Similar to the challenges discussed for the Los Angeles assessment area, high rental prices were exacerbated by the shortage of affordable rental units in the area. Only 18 affordable rental units were available for every 100 households with extremely low-income.<sup>67</sup> Over 57 percent of households who rent their home were cost burdened, meaning that they spent more than 30 percent of their income on rent and utilities.<sup>68</sup>

As depicted in Exhibit 13 on the following page, the assessment area had lower rates of poverty and usage of public assistance or food stamp/SNAP benefits than the state overall during the review period. Both the poverty and food stamp/SNAP benefits usage rates decreased during the review period. Despite the slight decrease in the poverty rate, the prevalence of poverty in the area remained high. Over 32 percent of households in the area do not have sufficient liquid assets to subsist at the federal poverty level for three months in the absence of an income source.<sup>69</sup>

<sup>64</sup> California Association of Realtors, Housing Affordability Index-Traditional, 2019 Q3; available from: <http://www.car.org/marketdata/data/haitraditional/>.

<sup>65</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/marketdata/data/housingdata/>.

<sup>66</sup> Zillow, Zillow Median Rent List Price, 1-Bedroom; available from: <https://www.zillow.com/research/data/>.

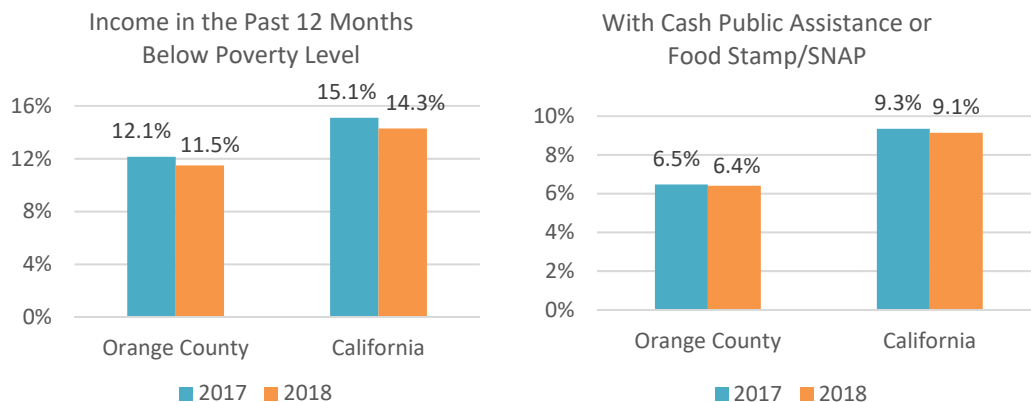
<sup>67</sup> National Low Income Housing Coalition, The Gap, March 2019; available from: <https://reports.nlihc.org/gap>.

<sup>68</sup> Prosperity Now Scorecard, Orange County; available from: <https://scorecard.prosperitynow.org/>.

<sup>69</sup> Ibid.



**EXHIBIT 13**  
**Poverty and Food Stamp Usage Rates<sup>70</sup>**  
**2017-2018**



**Credit and Community Development Needs**

Small business lending levels showed nominal improvement overall but remained below pre-Great Recession levels, as shown previously in Exhibit 10. Similar to the discussion for the credit needs of the Los Angeles assessment area, the Small Business Credit Survey results indicate that small businesses continued to experience obstacles in obtaining the amount of financing needed and accessing smaller dollar loans.<sup>71</sup>

In addition to supporting the small business needs mentioned above, financial institutions have an opportunity to engage in community development activities to help meet the needs of those most vulnerable in the community. Investments in community organizations that provide needed support services, as well as small business lending, are some of the most impactful activities financial institutions could engage in to help meet the community’s credit needs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ORANGE**

**Lending Test**

PMB’s overall performance under the lending test in the Orange assessment area is adequate, as lending activity in this assessment area demonstrates adequate responsiveness to community credit needs. The geographic distribution of loans generally reflects reasonable penetration throughout the assessment area. However, the distribution of small business loans reflects poor penetration among businesses with different revenue sizes. The bank made an adequate level of community development loans throughout Orange County that were responsive to identified needs in the community.

<sup>70</sup> Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.

<sup>71</sup> Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

### ***Lending Activity***

PMB's lending levels reflect adequate responsiveness to the credit needs of Orange County. As shown in Table 1 in Appendix B, the bank originated or renewed 107 small business loans that totaled approximately \$54.7 million within the assessment area.

### ***Lending Distribution by Geography***

Overall, lending distributions by geography in the Orange assessment area are adequate. As shown in Table 2 in Appendix B, a reasonable distribution of loans was made within LMI census tracts within Orange County. While lending levels were stronger in low-income geographies, this performance was somewhat offset by relatively weaker performance in moderate-income geographies. However, the bank steadily increased its lending in moderate-income geographies over the review period, demonstrating a consistent upward trend.

### ***Lending Distribution by Borrower Income and Business Revenue***

PMB's distribution of credit reflects poor distribution among businesses of different revenue sizes in the Orange assessment area. This assessment is based on the low percentage of lending to small businesses with \$1 million or less in gross annual revenues, as shown in Table 3 in Appendix B. Similar to the performance of the Los Angeles assessment area, the bank's distribution of credit among borrowers of different revenue sizes underperformed that of aggregate lenders operating in the assessment area.

### ***Community Development Lending***

PMB made an adequate level of community development loans in the Orange assessment area. The bank originated 25 community development loans totaling \$19.7 million within Orange County. Of the loans extended, 17 loans totaling \$6 million supported affordable housing initiatives that provided 26 housing units for LMI individuals and families as well as down payment assistance for first-time homebuyers. Additionally, five loans totaling \$9.9 million promoted economic development and created or retained 163 jobs for LMI individuals, and two loans totaling \$3.3 million revitalized or stabilized LMI geographies within the assessment area. Finally, one loan in the amount of \$500,000 provided community services to LMI individuals.

The following are examples of PMB's community development lending:

- A \$4.5 million loan to a Community Development Financial Institution (CDFI) for the financing of a multifamily project designated as affordable housing.
- A \$1.2 million loan to support the acquisition and improvement of a multifamily residence consisting of 11 affordable housing units located in a low-income census tract.
- A \$2 million SBA 504 loan to a small business, which created or retained 15 jobs for LMI individuals.

- A \$500,000 loan made to an organization that assists families of children who have been diagnosed with life-threatening illnesses by providing support through financial assistance, temporary housing, and more.

## Investment Test

PMB's investment test performance in the Orange assessment area is good. PMB made a relatively high level of qualified investments and grants in the Orange assessment area given the size and financial capacity of the bank. As shown in Table 4 in Appendix B, the bank made three qualified investments totaling \$3 million, and provided \$74,975 in grants and donations within Orange County. Competition for qualified investment opportunities in Orange County is high due to the number of financial institutions located in the area.

During the review period, the bank made two new investments totaling \$2.5 million into multifamily mortgage-backed securities. These securities were designed to support affordable housing initiatives for properties that are located in Orange County. In addition, the bank made one new investment totaling \$500,000 into a CDFI focused on economic development initiatives within the assessment area.

Grants and donations in the assessment area were primarily provided to organizations that provide community services to LMI individuals and families. Additionally, organizations that provide services to the homeless, women in crisis, and underprivileged youth were granted funds by the bank.

Notable community development grants and donations in the Orange assessment area include:

- A total of \$8,300 to an organization that offers vital resources and services that assist low- and moderate-income and unaccompanied homeless women in critical need of finding permanent housing and job placement.
- A total of \$5,000 to a non-profit organization dedicated to providing affordable homeownership opportunities for LMI families.
- A total of \$9,000 to an organization that provides at-risk and underserved youth with programs related to financial literacy, entrepreneurship, and work readiness.
- A \$3,000 donation to a soup kitchen that provides vital services to homeless and very-low income individuals and families.

## Service Test

PMB's performance under the service test in the Orange assessment area is good. Delivery systems are accessible to geographies of different income levels, and no branching activity has occurred within the review period. PMB employees provided a relatively high level of community development services within Orange County.

### ***Retail Banking Services***

Similar to the Los Angeles assessment area, PMB's banking services are accessible to low- and moderate-income populations within Orange County. The Orange assessment area contains two branches in upper-income census tracts, and one branch in a moderate-income census tract, as shown in Table 5 in Appendix B. No differences exist in operating hours, available products and services, or accessibility to banking services between the branches. As such, the bank's services do not vary in a way that inconveniences LMI individuals and/or LMI geographies, as banking services are the same for all populations and businesses within the assessment area. As previously discussed, the bank offers alternative systems via online and mobile banking services which are accessible by all customers.

### ***Community Development Services***

The bank provides a relatively high level of community development services within Orange County. Bank employees provided 777 community development service hours to various organizations throughout the assessment area during the review period. Services include board memberships on several organizations focused on issues that include affordable housing initiatives, community outreach, and assistance to at-risk youth, homelessness, and women in crisis.

Notable community development services include:

- A total of 407 hours serving on the board of a nonprofit organization dedicated to providing housing and other services for women in crisis.
- A total of 35 hours serving on the board of an organization dedicated to the creation of quality affordable housing for LMI individuals.
- A total of 66 hours promoting financial literacy to multiple elementary schools designated as Title-1 schools.
- A total of 48 hours providing expertise to an organization whose mission is to offer healthy activities within communities that have been deeply affected by the drug and addiction epidemic within Orange County.

## 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

### CRA CORE TABLES

|         |   |
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| Table 1 | Lending Volume  |
| Table 2 | Geographic Distribution of Small Loans to Businesses                |
| Table 3 | Borrower Distribution of Small Loans to Businesses                  |
| Table 4 | Qualified Investments   |
| Table 5 | Distribution of Branch Delivery System and Branch Openings/Closings |



**Table 1 - Lending Volume of Reported Loans**

Evaluation Period: July 1, 2017 to June 30, 2019

| Assessment Areas                | % of Rated Area Loans | Small Business Loans |            | Small Farm Loans |            | All HMDA Loans |            | Community Development Loans |            | Total Reported Loans |            | % of Rated Area Deposits |
|---------------------------------|-----------------------|----------------------|------------|------------------|------------|----------------|------------|-----------------------------|------------|----------------------|------------|--------------------------|
|                                 |                       | #                    | \$ (000's) | #                | \$ (000's) | #              | \$ (000's) | #                           | \$ (000's) | #                    | \$ (000's) |                          |
| <i>Full Scope</i>               |                       |                      |            |                  |            |                |            |                             |            |                      |            |                          |
| Orange                          | 56.2                  | 107                  | 54,653     | 0                | 0          | 0              | 0          | 25                          | 19,688     | 132                  | 74,341     | 89.2                     |
| Los Angeles                     | 43.8                  | 75                   | 27,403     | 0                | 0          | 0              | 0          | 28                          | 81,345     | 103                  | 108,748    | 10.8                     |
| Broader Statewide/Regional Area | NA                    | 0                    | 0          | 0                | 0          | 0              | 0          | 18                          | 11,022     | 18                   | 11,022     | 0.0                      |

**Table 1a - Lending Volume of Optional Loans**

Evaluation Period: July 1, 2017 to June 30, 2019

| Assessment Areas  | % of Rated Area Loans | Other Small Business |            | Total Optional Loans |            |  |  |  |  |  |  |  |  |
|-------------------|-----------------------|----------------------|------------|----------------------|------------|--|--|--|--|--|--|--|--|
|                   |                       | #                    | \$ (000's) | #                    | \$ (000's) |  |  |  |  |  |  |  |  |
| <i>Full Scope</i> |                       |                      |            |                      |            |  |  |  |  |  |  |  |  |
| Orange            | 14.3                  | 1                    | 500        | 1                    | 500        |  |  |  |  |  |  |  |  |
| Los Angeles       | 85.7                  | 6                    | 3,845      | 6                    | 3,845      |  |  |  |  |  |  |  |  |

**Table 2 - Geographic Distribution of Small Business Loans**

Evaluation Period: July 1, 2017 to June 30, 2019

| Assessment Areas  | Total Loans from Bank |                    | Low-Income Geographies |                       | Moderate-Income Geographies |                       | Middle-Income Geographies |                       | Upper-Income Geographies |                       | Aggregate Lending (%) |      |      |      | Market Share (%) |     |     |     |     |
|-------------------|-----------------------|--------------------|------------------------|-----------------------|-----------------------------|-----------------------|---------------------------|-----------------------|--------------------------|-----------------------|-----------------------|------|------|------|------------------|-----|-----|-----|-----|
|                   | # Loans               | % Rated Area Total | Bank Loans (%)         | Business Entities (%) | Bank Loans (%)              | Business Entities (%) | Bank Loans (%)            | Business Entities (%) | Bank Loans (%)           | Business Entities (%) | Low                   | Mod  | Mid  | Upp  | Overall          | Low | Mod | Mid | Upp |
| <i>Full Scope</i> |                       |                    |                        |                       |                             |                       |                           |                       |                          |                       |                       |      |      |      |                  |     |     |     |     |
| Orange 2017       | 24                    | 48.0               | 8.3                    | 6.1                   | 4.2                         | 20.8                  | 33.3                      | 35.7                  | 54.2                     | 37.3                  | 6.1                   | 20.4 | 35.2 | 38.3 | 0.0              | 0.0 | 0.0 | 0.1 | 0.1 |
| Orange 2018       | 66                    | 62.9               | 10.6                   | 6.0                   | 13.6                        | 20.7                  | 53.0                      | 35.6                  | 22.7                     | 37.8                  | 6.2                   | 20.3 | 34.9 | 38.6 | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 |
| Orange 2019       | 16                    | 66.7               | 0.0                    | N/A                   | 18.8                        | N/A                   | 50.0                      | N/A                   | 31.3                     | N/A                   | N/A                   | N/A  | N/A  | N/A  | N/A              | N/A | N/A | N/A | N/A |
| Los Angeles 2017  | 26                    | 52.0               | 7.7                    | 4.8                   | 23.1                        | 19.5                  | 3.8                       | 22.7                  | 65.4                     | 53.0                  | 4.2                   | 19.4 | 22.6 | 53.7 | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 |
| Los Angeles 2018  | 39                    | 37.1               | 2.6                    | 4.8                   | 30.8                        | 19.8                  | 5.1                       | 22.5                  | 61.5                     | 52.9                  | 4.1                   | 19.2 | 22.5 | 54.2 | 0.0              | 0.0 | 0.0 | 0.0 | 0.0 |
| Los Angeles 2019  | 8                     | 33.3               | 0.0                    | N/A                   | 25.0                        | N/A                   | 12.5                      | N/A                   | 62.5                     | N/A                   | N/A                   | N/A  | N/A  | N/A  | N/A              | N/A | N/A | N/A | N/A |

**Table 2a - Geographic Distribution of Other Small Business Loans**

Evaluation Period: July 1, 2017 to June 30, 2019

| Assessment Areas  | Total Loans from Bank |                    | Low-Income Geographies |                       | Moderate-Income Geographies |                       | Middle-Income Geographies |                       | Upper-Income Geographies |                       |
|-------------------|-----------------------|--------------------|------------------------|-----------------------|-----------------------------|-----------------------|---------------------------|-----------------------|--------------------------|-----------------------|
|                   | # Loans               | % Rated Area Total | Bank Loans (%)         | Business Entities (%) | Bank Loans (%)              | Business Entities (%) | Bank Loans (%)            | Business Entities (%) | Bank Loans (%)           | Business Entities (%) |
| <i>Full Scope</i> |                       |                    |                        |                       |                             |                       |                           |                       |                          |                       |
| Orange 2017       | 0                     | 0.0                | 0.0                    | 6.1                   | 0.0                         | 20.8                  | 0.0                       | 35.7                  | 0.0                      | 37.3                  |
| Orange 2018       | 1                     | 14.3               | 0.0                    | 6.0                   | 0.0                         | 20.7                  | 0.0                       | 35.6                  | 100.0                    | 37.8                  |
| Orange 2019       | 0                     | 0.0                | 0.0                    | N/A                   | 0.0                         | N/A                   | 0.0                       | N/A                   | 0.0                      | N/A                   |
| Los Angeles 2017  | 0                     | 0.0                | 0.0                    | 4.8                   | 0.0                         | 19.5                  | 0.0                       | 22.7                  | 0.0                      | 53.0                  |
| Los Angeles 2018  | 6                     | 85.7               | 66.7                   | 4.8                   | 16.7                        | 19.8                  | 0.0                       | 22.5                  | 16.7                     | 52.9                  |
| Los Angeles 2019  | 0                     | 0.0                | 0.0                    | N/A                   | 0.0                         | N/A                   | 0.0                       | N/A                   | 0.0                      | N/A                   |

**Table 3 - Borrower Distribution of Small Business Loans**

Evaluation Period: July 1, 2017 to June 30, 2019

| Assessment Areas  | Total Small Business Loans |                    | Businesses with Revenue <= \$1 Million |                    | Originations Regardless of Revenue Size |                        |                             | Aggregate Lending (%) |                                     | Market Share (%) |                                     |
|-------------------|----------------------------|--------------------|--|--------------------|---|------------------------|-----------------------------|-----------------------|-------------------------------------|------------------|-------------------------------------|
|                   | Bank Loans (#)             | % Rated Area Total | Bank Loans (%)                         | All Businesses (%) | <= \$100K                               | > \$100K and <= \$250K | > \$250K and <= \$1 Million | All Loans             | Loans to Revenue <= \$1 Million (%) | All Loans        | Loans to Revenue <= \$1 Million (%) |
| <i>Full Scope</i> |                            |                    |  |                    |   |                        |                             |                       |                                     |                  |                                     |
| Orange 2017       | 25                         | 49.0               | 20.0                                   | 88.6               | 28.0                                    | 20.0                   | 52.0                        | 113,037               | 51.5                                | 0.0              | 0.0                                 |
| Orange 2018       | 66                         | 61.7               | 15.2                                   | 90.3               | 18.2                                    | 9.1                    | 72.7                        | 126,669               | 46.1                                | 0.0              | 0.0                                 |
| Orange 2019       | 16                         | 66.7               | 25.0                                   | N/A                | 12.5                                    | 18.8                   | 68.8                        | N/A                   | N/A                                 | N/A              | N/A                                 |
| Los Angeles 2017  | 26                         | 51.0               | 26.9                                   | 89.9               | 30.8                                    | 19.2                   | 50.0                        | 311,058               | 53.6                                | 0.0              | 0.0                                 |
| Los Angeles 2018  | 41                         | 38.3               | 17.1                                   | 91.4               | 26.8                                    | 24.4                   | 48.8                        | 342,283               | 47.2                                | 0.0              | 0.0                                 |
| Los Angeles 2019  | 8                          | 33.3               | 37.5                                   | N/A                | 0.0                                     | 50.0                   | 50.0                        | N/A                   | N/A                                 | N/A              | N/A                                 |

**Table 3a - Borrower Distribution of Other Small Business Loans**

Evaluation Period: July 1, 2017 to June 30, 2019

| Assessment Areas  | Total Small Business Loans |                    | Businesses with Revenue <= \$1 Million |                    | Originations Regardless of Revenue Size |                        |                             |
|-------------------|----------------------------|--------------------|--|--------------------|---|------------------------|-----------------------------|
|                   | Bank Loans (#)             | % Rated Area Total | Bank Loans (%)                         | All Businesses (%) | <= \$100K                               | > \$100K and <= \$250K | > \$250K and <= \$1 Million |
| <i>Full Scope</i> |                            |                    |  |                    |   |                        |                             |
| Orange 2017       | 0                          | 0.0                | 0.0                                    | 88.6               | 0.0                                     | 0.0                    | 0.0                         |
| Orange 2018       | 1                          | 14.3               | 100.0                                  | 90.3               | 0.0                                     | 0.0                    | 100.0                       |
| Orange 2019       | 0                          | 0.0                | 0.0                                    | N/A                | 0.0                                     | 0.0                    | 0.0                         |
| Los Angeles 2017  | 0                          | 0.0                | 0.0                                    | 89.9               | 0.0                                     | 0.0                    | 0.0                         |
| Los Angeles 2018  | 6                          | 85.7               | 16.7                                   | 91.4               | 0.0                                     | 0.0                    | 100.0                       |
| Los Angeles 2019  | 0                          | 0.0                | 0.0                                    | N/A                | 0.0                                     | 0.0                    | 0.0                         |

**Table 4 - Qualified Investments**

Evaluation Period: November 7, 2017 to February 18, 2020

| Assessment Areas                | Prior Period Investments* |            | Current Period Investments |            | Total Investments |            |            | Unfunded Commitments** |            |
|---------------------------------|---------------------------|------------|----------------------------|------------|-------------------|------------|------------|------------------------|------------|
|                                 | #                         | \$ (000's) | #                          | \$ (000's) | #                 | \$ (000's) | % of Total | #                      | \$ (000's) |
| <i>Full Scope</i>               |                           |            |                            |            |                   |            |            |                        |            |
| Orange                          | 0                         | 0          | 41                         | 3,075      | 41                | 3,075      | 17.2       | 0                      | 0          |
| Los Angeles                     | 7                         | 1,997      | 27                         | 7,591      | 34                | 9,588      | 53.5       | 0                      | 0          |
| Broader Statewide/Regional Area | 18                        | 2,144      | 3                          | 3,112      | 21                | 5,256      | 29.3       | 0                      | 0          |

**Table 5- Distribution of Branch Delivery System and Branch Openings/Closings**

Evaluation Period: November 7, 2017 to February 18, 2020

| Assessment Areas  | Deposits                       | Branches           |                                |   |      |     |       | Branch Openings / Closings |                      |   |     | Population |     |                                       |      |      |      |
|-------------------|--------------------------------|--------------------|--------------------------------|---|------|-----|-------|----------------------------|----------------------|---|-----|------------|-----|---------------------------------------|------|------|------|
|                   | % of Rated Area Deposits in AA | # of Bank Branches | % of Rated Area Branches in AA | Location of Branches by Income Level of Geography (%) |      |     |       | # of Branch Openings       | # of Branch Closings | Net Change in Location of Branches (+ or -) |     |            |     | % of Population within each Geography |      |      |      |
|                   |                                |                    |                                | Low   | Mod  | Mid | Upp   |                            |                      | Low   | Mod | Mid        | Upp | Low                                   | Mod  | Mid  | Upp  |
| <i>Full Scope</i> |                                |                    |                                |   |      |     |       |                            |                      |   |     |            |     |                                       |      |      |      |
| Orange            | 89.2                           | 3                  | 80.0                           | 0.0   | 33.3 | 0.0 | 66.7  | 0                          | 0                    | 0   | 0   | 0          | 0   | 8.6                                   | 27.7 | 29.0 | 34.8 |
| Los Angeles       | 10.8                           | 1                  | 20.0                           | 0.0   | 0.0  | 0.0 | 100.0 | 0                          | 0                    | 0   | 0   | 0          | 0   | 8.6                                   | 29.3 | 26.3 | 35.1 |