PUBLIC DISCLOSURE

April 29, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Presidio Bank
RSSD # 3398100

One Montgomery Street
Suite 2300
San Francisco, California 94104

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

Presidio Bank is rated "OUTSTANDING"

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

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

The major factors supporting the institution's rating include:

- An overall loan-to-deposit ratio that is reasonable
- A substantial majority of loans originated within the bank's assessment area
- A poor distribution of loans to businesses of different revenue sizes
- An overall excellent geographic distribution of loans, with a strong penetration in low- and moderate-income geographies
- Excellent responsiveness to community development needs in the assessment area, specifically addressing the need for affordable housing, social services to low- and moderate-income families, and access to credit for small businesses

INSTITUTION

Description of Institution

Presidio Bank (Presidio), headquartered in San Francisco, California, reported total assets of $862.4 million as of December 31, 2018. Presidio operates without a holding company and has no subsidiaries. The bank operates five full-service branches in California located in San Francisco, Palo Alto, San Mateo, San Rafael, and Walnut Creek, along with one loan production office in Santa Rosa, California.

Presidio's primary business focus is to provide commercial banking products and services to small- and medium-sized businesses, including professional service firms, non-profit organizations, and real estate investors and developers. As such, business purpose loans represent the majority loan types within the bank's portfolio. Commercial loan products include term loans, lines of credit, commercial real estate loans, commercial construction and land loans, and letters of credit. Presidio originates consumer loans primarily to existing business customers on an accommodation basis, and offers commercial and consumer credit cards through a third-party credit card issuer. The bank has a variety of deposit products, including business and personal checking, savings, money market, and certificates of deposit. Presidio also offers merchant card services and mobile deposit services. Although the bank does not have ATM machines, it does offer business and personal debit cards.

Exhibit 1 below reflects the bank's loan portfolio, as disclosed in its December 31, 2018, Consolidated Reports of Condition and Income, demonstrating the bank's commercial lending focus.

EXHIBIT 1
LOANS AND LEASES AS OF DECEMBER 31, 2018

Loan Type	$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	450,383	63.3
Multi-Family Residential Real Estate	87,054	12.2
Secured by 1-4 Family Residential Real Estate	77,545	10.9
Construction & Land Development	56,179	7.9
Consumer Loans & Credit Cards	34,258	4.8
Farm Land & Agriculture	6,623	0.9
All Other	6	0.0
Total (Gross)	712,048	100.0

The bank received an outstanding rating at its previous CRA examination conducted as of February 8, 2016, by the Federal Reserve Bank of San Francisco, using the *Interagency Intermediate Small Institution Examination Procedures*. Presidio faces no legal or financial impediments that would prevent it from helping to meet the credit needs of its assessment area consistent with its business strategy, size, financial capacity, and local economic conditions.

San Francisco Bay Area Assessment Area

DESCRIPTION OF OPERATIONS IN SAN FRANCISCO BAY AREA

Presidio's assessment area, which remains unchanged since the previous examination, consists of seven of the nine San Francisco Bay Area counties that compose the San Jose-San Francisco-Oakland, CA Combined Statistical Area (CSA): San Francisco, San Mateo, Contra Costa, Alameda, Sonoma, Marin, and Santa Clara. As of 2018, the seven-county assessment area was home to more than seven million people residing in Metropolitan Statistical Areas (MSA) within the CSA.[1]

- San Francisco, San Mateo, Marin, Alameda, and Contra Costa counties comprise the entirety of the San Francisco-Oakland-Berkeley, CA MSA.
- Sonoma County comprises the entirety of the Santa Rosa-Petaluma, CA MSA.
- Santa Clara County is a part of the San Jose-Sunnyvale-Santa Clara, CA MSA.

Presidio has a relatively small presence and portion of the overall market share in this highly competitive assessment area, ranking 33rd among competing institutions within the area. As of June 30, 2018, the assessment area had 82 Federal Deposit Insurance Corporation-insured commercial institutions operating 1,514 offices with total deposits of $527.2 billion.[2] Presidio operated five branches in the assessment area with total deposits of $757.5 million, representing just 0.14 percent of the total market.[3]

Exhibit 2 on the following page presents key demographic and business information from 2018 Federal Financial Institutions Examination Council (FFIEC) Census and 2018 Dun and Bradstreet data, used to help develop a performance context for the assessment area.

[1] U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2018; available from: www.census.gov/quickfacts/.
[2] Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2.
[3] Ibid.

EXHIBIT 2
ASSESSMENT AREA DEMOGRAPHICS
San Francisco Bay Area ASSESSMENT AREA
2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	150	10.3	136,967	8.5	32,159	23.5	387,539	24.0
Moderate-income	309	21.3	323,319	20.1	36,090	11.2	257,666	16.0
Middle-income	489	33.7	575,246	35.7	30,909	5.4	294,973	18.3
Upper-income	485	33.4	574,076	35.6	15,189	2.6	671,748	41.7
Unknown-income	19	1.3	2,318	0.1	287	12.4	0	0.0
Total AA	1,452	100.0	1,611,926	100.0	114,634	7.1	1,611,926	100.0
Income Categories	**Housing Units by Tract**	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	**%**	**%**	**#**	**%**	**#**	**%**
Low-income	245,835	56,075	4.1	22.8	171,482	69.8	18,278	7.4
Moderate-income	542,289	225,632	16.7	41.6	284,927	52.5	31,730	5.9
Middle-income	927,653	497,953	36.8	53.7	379,336	40.9	50,364	5.4
Upper-income	889,579	573,609	42.3	64.5	271,055	30.5	44,915	5.0
Unknown-income	10,596	1,318	0.1	12.4	8,079	76.2	1,199	11.3
Total AA	2,615,952	1,354,587	100.0	51.8	1,114,879	42.6	146,486	5.6
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	33,956	9.0	29,787	8.6	3,926	12.4	243	9.8
Moderate-income	69,173	18.3	62,329	18.1	6,426	20.3	418	16.9
Middle-income	123,910	32.7	113,654	33.0	9,505	30.0	751	30.4
Upper-income	149,909	39.6	137,351	39.8	11,544	36.5	1,014	41.0
Unknown-income	2,004	0.5	1,721	0.5	238	0.8	45	1.8
Total AA	378,952	100.0	344,842	100.0	31,639	100.0	2,471	100.0
% of Total Businesses				91.0		8.3		0.7

2018 Median Family Income[4]		December 2018 Median Housing Value[5]	
Alameda County	**$93,822**	Alameda County	**$850,000**
Contra Costa County	**$93,822**	Contra Costa County	**$612,500**
Marin County	**$121,130**	Marin County	**$1,270,500**
San Francisco County	**$103,742**	San Francisco County	**$1,500,000**
San Mateo County	**$103,742**	San Mateo County	**$1,483,000**
Santa Clara County	**$107,126**	Santa Clara County	**$1,150,000**
Sonoma County	**$77,587**	Sonoma County	**$639,000**
2018 HUD Adjusted Median Family Income[6]		2018 Unemployment Rate[7]	
Alameda County	**$104,400**	Alameda County	**3.0%**
Contra Costa County	**$104,400**	Contra Costa County	**3.2%**
Marin County	**$134,800**	Marin County	**2.4%**
San Francisco County	**$116,400**	San Francisco County	**2.4%**
San Mateo County	**$116,400**	San Mateo County	**2.2%**
Santa Clara County	**$123,400**	Santa Clara County	**2.6%**
Sonoma County	**$84,100**	Sonoma County	**2.7%**

Economic Conditions

The San Francisco Bay Area's diverse economy, which in 2018 ranked 19th in the world in terms of its gross domestic product, continued to outpace economic growth of the United States as a whole during the review period.[8] In addition to the assessment area's legacy of entrepreneurship and tech agglomeration, the presence of first-rate universities and laboratories as well as world-class wineries and craft breweries serve as magnets for growth and tourism. The Bay Area is home to the "golden triangle" of three of the top research institutions in the world: Stanford University, the University of California at San Francisco, and the University of California at Berkeley.[9] An important factor driving the Bay Area's growth numbers is its highly educated population.[10] Job growth in the Bay Area has concentrated largely in four sectors: healthcare, professional and scientific, accommodation and food, and information.[11] The Bay Area is home to the world's tech capital. With a well-educated and highly skilled workforce, high-technology industries remain the driving force in the Bay Area economy.[12] Since the Great Recession, high-technology employment has increased by 45 percent – representing an average growth of 5 percent per year – compared to 26 percent employment growth overall.[13] The economic success of the region has left housing, transportation and the workforce stretched thin as a result of an accelerated cost of living that has created an unprecedented housing and affordability crisis.[14]

Within the East Bay counties of Alameda and Contra Costa, the Port of Oakland and access to rail and highway transportation, manufacturing, logistics and trade contribute significantly to the local economy. Although job growth has decelerated sharply, unemployment rates stabilized at their lowest levels since 2001 while wage growth exceeded the national average, indicating a strong economy where workers are difficult to find and retain.[15] Employment gains have been seen across a broad range of sectors and the creation of jobs on both ends of the wage spectrum.[16] Construction, transportation, warehouse and utilities, and manufacturing were the fastest growing sectors.[17] Tesla continued to be one of the fastest growing, largest, and most important employers in the area.[18] Additionally, the East Bay continues to benefit from the spillover growth from San Francisco due to its cost of living advantage.[19] Residential

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[4] FFIEC Median Family Income; available from: https://www.ffiec.gov/Medianincome.htm.
[5] California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: https://www.car.org/marketdata/data/housingdata/.
[6] FFIEC Adjusted Median Family Income; available from: https://www.ffiec.gov/Medianincome.htm.
[7] Annual Unemployment Rate, U.S Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: http://data.bls.gov/cgi-bin/dsrv?la.
[8] Bay Area Council Economic Institute, Continuing Growth and Unparalleled Innovation: Bay Area Economic Profile, Tenth in a Series, July 2018; available from: http://www.bayareaeconomy.org/files/pdf/BayAreaEconomicProfile2018Web.pdf.
[9] County of San Mateo, 2017-2019 Profile (pg. A-43); available from: https://cmo.smcgov.org/sites/cmo.smcgov.org/files/Profile_2017-19.pdf (accessed May 19, 2019).
[10] Bay Area Council Economic Institute, Continuing Growth and Unparalleled Innovation: Bay Area Economic Profile, Tenth in a Series, July 2018; available from: http://www.bayareaeconomy.org/files/pdf/BayAreaEconomicProfile2018Web.pdf.
[11] Ibid.
[12] Ibid.
[13] Ibid.
[14] Ibid.
[15] Moody's Precis Report, Oakland-Hayward-Berkeley, November 2017.
[16] East Bay Economic Development Alliance, East Bay Economic Outlook 2018-19; available from: http://www.eastbayeda.org/ebeda-assets/reports/2018/2018-19%20East%20Bay%20Economic%20Outlook%20Report.pdf.
[17] Ibid.
[18] Moody's Precis Report, Oakland-Hayward-Berkeley, November 2018.
[19] Moody's Precis Report, Oakland-Hayward-Berkeley, November 2017.

and nonresidential construction rose at a rapid clip, and rising costs have not derailed the housing market.[20] Roughly one-third of workers in the East Bay commute out of the area each day given the area's relative home affordability advantage compared to neighboring counties.[21] Mixed-use developments, office space, and large housing complexes are being built next to Bay Area Rapid Transit stations.[22] While basic living costs such as rent, home ownership, and transportation rose, the East Bay continued to be a more affordable option for the Bay Area.[23]

Marin and Sonoma counties are located in the North Bay, with key industries of agriculture and tourism as leading economic drivers. Marin County experienced a boom in high-wage jobs due to its emerging biotech industry;[24] however, in 2018, the bulk of the net new hires in Marin County were in low-paying industries, limiting growth in wage income.[25] Sonoma County is a nationwide leader in organic food production, and is home to world-class wineries and craft breweries, which help drive tourism to the region.[26] In the North Bay, the growing problem with attracting and retaining workers in several industries is exacerbated by the lack of affordable housing for lower wage employees.[27] During the review period, devastating wildfires also destroyed several thousand housing units, equal to approximately 3 percent of Sonoma County's housing stock.[28] The regional housing crisis and resulting lack of available, affordable rental units locally and in the region, left families unable to find long-term housing.[29] In Marin County, there has been mounting pressure from state-mandated housing laws to build thousands of new living units across the county by 2023, which has caused a pickup in residential building.[30] Additionally, with changes to building permitting in the City of Santa Rosa and Sonoma County, there will be significant new residential construction as homeowners continue to rebuild the homes lost in the fires of 2017.[31] The North Bay is now benefitting from fire recovery funding being spent.[32] Wineries, other goods producers, and hotels undertook efforts to rebuild in the immediate aftermath of the Tubbs fire, and tourism quickly recovered.[33] Despite the housing crisis, Sonoma County registered the fourth-fastest job growth in California in 2018 and its best annual growth rate since 2015.[34]

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[20] Moody's Precis Report, Oakland-Hayward-Berkeley, November 2018.
[21] East Bay Economic Development Alliance, East Bay Economic Outlook 2018-19; available from: http://www.eastbayeda.org/ebeda-assets/reports/2018/2018-19%20East%20Bay%20Economic%20Outlook%20Report.pdf.
[22] Moody's Precis Report, Oakland-Hayward-Berkeley, November 2018.
[23] East Bay Economic Development Alliance, East Bay Economic Outlook 2018-19; available from: http://www.eastbayeda.org/ebeda-assets/reports/2018/2018-19%20East%20Bay%20Economic%20Outlook%20Report.pdf.
[24] Moody's Precis Report, San Rafael, December 2016.
[25] Moody's Precis Report, San Rafael, November 2018.
[26] Moody's Precis Report, Santa Rosa, November 2018.
[27] Murray, Cynthia. California Economy In For Bumpy Ride In 2019, But North Bay Likely To Fare Better. *North Bay Business Journal*. December 31, 2018; available from: https://www.northbaybusinessjournal.com/opinion/9084405-181/california-north-coast-economy-2019 (accessed May 19, 2019).
[28] Moody's Precis Report, Santa Rosa, November 2017.
[29] Sonoma County Recovers: Official Recovery Information For Sonoma County Fires, *Joint Statement by County of Sonoma & City of Santa Rosa regarding the FEMA Direct Housing Program*; available from: https://www.sonomacountyrecovers.org/joint-statement-by-county-of-sonoma-city-of-santa-rosa-regarding-the-fema-direct-housing-program/ (accessed May 15, 2019).
[30] Moody's Precis Report, San Rafael, November 2018.
[31] Murray, Cynthia. California Economy In For Bumpy Ride In 2019, But North Bay Likely To Fare Better. *North Bay Business Journal*. December 31, 2018; available from: https://www.northbaybusinessjournal.com/opinion/9084405-181/california-north-coast-economy-2019 (accessed May 19, 2019).
[32] Murray, Cynthia. California Economy In For Bumpy Ride In 2019, But North Bay Likely To Fare Better. *North Bay Business Journal*. December 31, 2018; available from: https://www.northbaybusinessjournal.com/opinion/9084405-181/california-north-coast-economy-2019 (accessed May 19, 2019).
[33] Moody's Precis Report, Santa Rosa, November 2017.
[34] Moody's Precis Report, Santa Rosa, November 2018.

San Francisco County serves as the area's financial hub, and its unparalleled technology industry paved the way for robust investment and hiring.[35] Additionally, San Francisco is home to a thriving tourism industry, as it was ranked the fifth most popular tourist destination for overseas travelers,[36] and as the ninth most popular destination for domestic travelers.[37] However, job growth has slowed considerably in the business/professional and information services, where tech workers are in short supply and the cost to obtain them is rapidly rising.[38] The area's corresponding strong income growth generated mid-wage jobs in various business and consumer services, including healthcare.[39] Demand for commercial real estate development was steady as both new and established tech firms faced shortages of labor and office space, driving elevated rents.[40] Residential and nonresidential building is on the rise as developers respond aggressively to high prices and rents.[41] Overall, rising costs have slowed the pace of net migration, as fewer people are moving to San Francisco, and more are leaving because living costs have grown faster than salaries.[42]

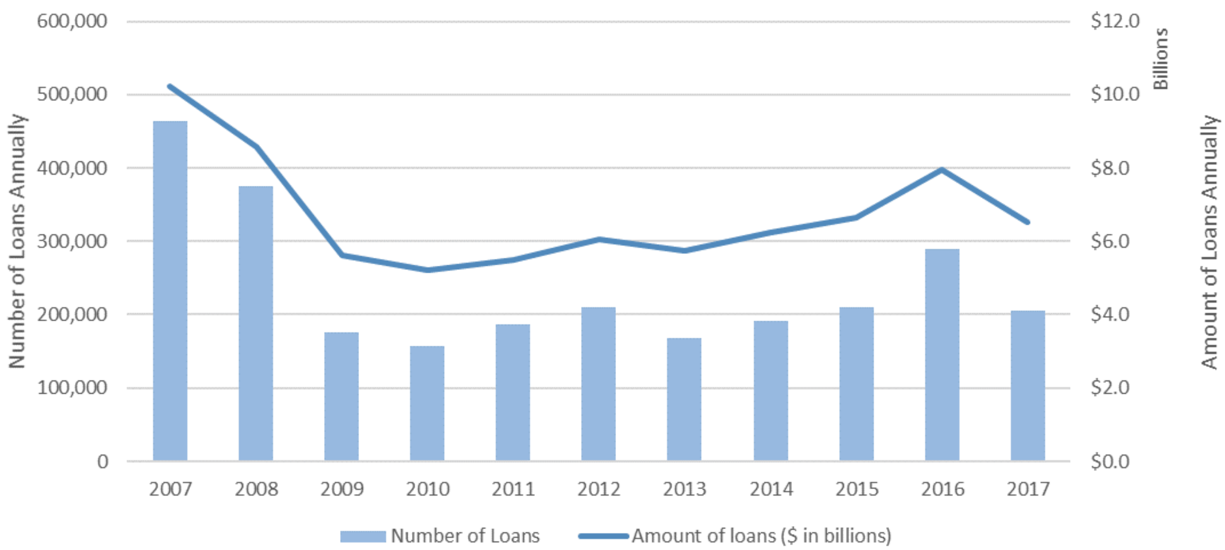
The South Bay counties of San Mateo and Santa Clara are located in the heart of Silicon Valley, and as such, technology companies and related manufacturing are the primary economic drivers.[43] As the home base for companies such as Facebook, Google, Apple, and Netflix, the area is known for its highly skilled workforce and a legacy of successful entrepreneurship with access to substantial venture capital.[44] The San Francisco International Airport and the Port of Redwood City are also integral to the South Bay's economy. The port specializes in liquid and bulk cargo for the construction industry, and the airport is a significant economic engine for the entire region, providing 200,000 jobs either at the airport or at importers, exporters, warehouses, food service companies, tourist attractions, and other industries.[45] Additionally, the South Bay is home to 14 of the top 25 largest venture capital firms in the Bay Area, while 14 of the top 25 venture capital funded biotech companies in the Bay Area have facilities in San Mateo County.[46] Growth among tech firms propelled demand for office, retail, and industrial space, which pushed up rents and encouraged more development.[47] However, rising housing costs are pushing workers out of the area and deterring new workers from relocating to the metro area.[48]

Economic improvements in the assessment area can be seen in small business lending. As depicted in Exhibit 3 below, a review of small business loan data reported by banks subject to the CRA shows that the number and amount of loans to small businesses in the assessment area improved during the early portion of the review period, but dropped off in 2017 and remain depressed relative to levels achieved

[35] Moody's Precis Report, San Francisco-Redwood City-South San Francisco, November 2018.
[36] U.S. Department of Commerce, 2017 Overseas Visitation Estimates to the Top Cities; available from: https://travel.trade.gov/outreachpages/inbound.general_information.inbound_overview.asp (accessed May 19, 2019).
[37] Hanbury, Mary. The 25 Most Popular Travel Destinations in the US. *Business Insider*. March 21, 2017; available from: https://www.businessinsider.com/most-popular-us-travel-destinations-2017-3 (accessed May 19, 2019).
[38] Moody's Precis Report, San Francisco-Redwood City-South San Francisco, November 2018.
[39] Moody's Precis Report, San Francisco-Redwood City-South San Francisco, December 2016.
[40] Moody's Precis Report, San Francisco-Redwood City-South San Francisco, November 2018.
[41] Ibid.
[42] Ibid.
[43] Moody's Precis Report, San Jose-Sunnyvale-Santa Clara, November 2018.
[44] Moody's Precis Report, San Jose-Sunnyvale-Santa Clara, November 2017.
[45] County of San Mateo, 2017-2019 Profile (pg. A-43); available from: https://cmo.smcgov.org/sites/cmo.smcgov.org/files/Profile_2017-19.pdf (accessed May 19, 2019).
[46] San Mateo County Economic & Industry Overview, August 2018; available from: http://samceda.org/sites/default/files/SMC%20Economic%20%26%20Industry%20Overview%20August%202018.pdf (accessed May 19, 2019).
[47] Moody's Precis Report, San Jose-Sunnyvale-Santa Clara, November 2017.
[48] Ibid.

prior to the Great Recession. Lending to small businesses plays a critical role in the economy given that small businesses represented 91 percent of all businesses in the assessment area as depicted in Exhibit 2.

Exhibit 3
Loans to Small Businesses in Assessment Area[49]
2007-2017



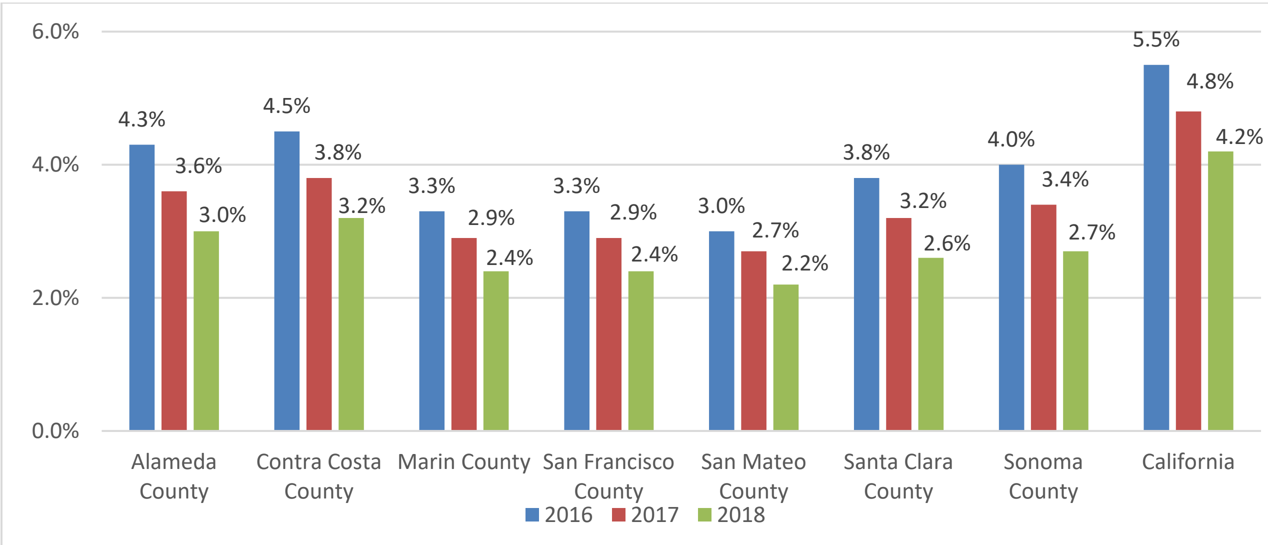
As depicted in Exhibit 4 on the following page, the unemployment rate in the assessment area decreased steadily during the review period and remained significantly below statewide averages. San Mateo County's annual unemployment rate was 2.2 percent in 2018, the lowest in the State of California, followed by San Francisco and Marin counties, each of which had an unemployment rate of 2.4 percent in 2018.

[49] Aggregate CRA Small Business data reports available from: http://www.ffiec.gov/craadweb/national.aspx.

Exhibit 4

Unemployment Rate[50]

2016-2018



Assessment area median home prices increased during the review period, consistent with statewide increases as reflected in Exhibit 5 on the following page. High payrolls and job growth have supported housing price increases that far exceed the statewide average. As a whole, Bay Area median home prices increased by 23.2 percent during the review period, rising from $690,000 in January 2016 to $850,000 in December 2018. In December 2018, the median home price in each of the seven counties within the assessment area was well above the statewide median of $557,600. As with unemployment rates, median home prices differed by county; at the end of 2018, they were as high as $1,500,000 in San Francisco County and as low as $639,000 in Sonoma County.[51]

[50] U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: http://data.bls.gov/cgi-bin/dsrv?la.

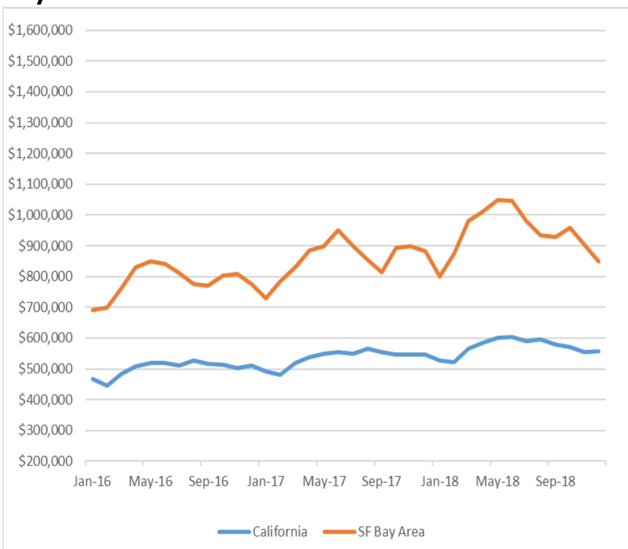
[51] California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: https://www.car.org/en/marketdata/data/housingdata.

Exhibit 5

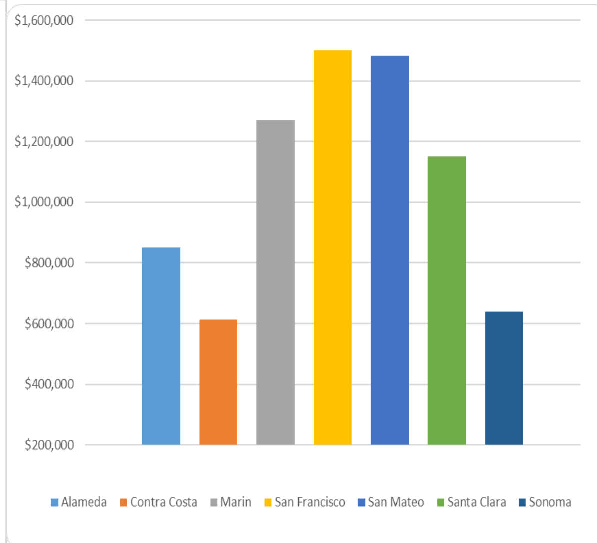
Median Home Prices[52]

2016-2018

Bay Area Median Home Prices Since 2016



County Median Home Prices, December 2018



Housing affordability is a serious problem in the Bay Area. The rapid rise of home prices in the assessment area has caused home ownership to become less affordable to many households. According to the California Association of Realtors Traditional Housing Affordability Index, the percentage of households that could afford to purchase the median priced home dropped in six of the seven counties in the assessment area during the review period.[53] By the fourth quarter of 2018, San Francisco County reflected an increase in affordability of approximately 2.5 percent, raising the number of families that could afford the median priced home to 15.5 percent.[54] San Mateo County became the least affordable county in the assessment area, where only 15.0 percent of families could afford the median priced home.[55]

Similarly, rental prices also increased during the review period, and at the end of 2017 every geography within the assessment area had higher median rents than the state.[56] Many households in the assessment area are cost burdened by the rising cost of living and housing (households that spend more than 30 percent of their income on rent are considered cost burdened). In fact, all counties in the assessment area have similarly high percentages of housing-cost-burdened households – 41.1 percent in Sonoma, 40.1 percent in Marin, 39.5 percent in Alameda, 39.3 percent in San Mateo, 39.2 percent in Contra Costa, 37.6 percent in San Francisco, and 37.3 percent in Santa Clara.[57] However, only Sonoma

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[52] Ibid.

[53] California Association of Realtors, Housing Affordability Index-Traditional: available from: http://www.car.org/marketdata/data/haitraditional/.

[54] Ibid.

[55] Ibid.

[56] U.S. Census Bureau, American Community Survey 1 Yr. Estimates, DP04, 2017; available from: http://factfinder2.census.gov.

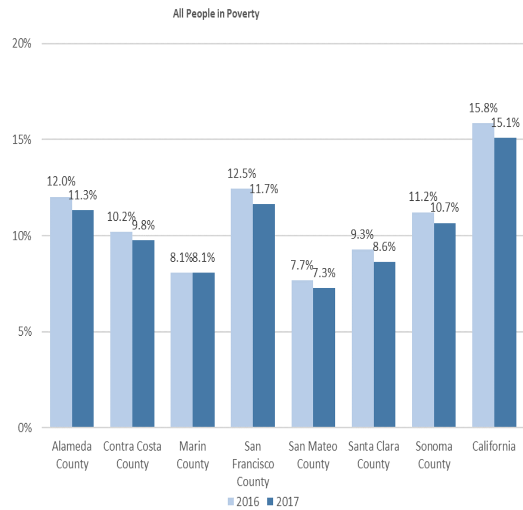
[57] Bay Area Council Economic Institute, Bay Area Economic Profile, July 2018; available from: www.bayareaeconomy.org/files/pdf/bayareaeconomicprofile2018web.pdf

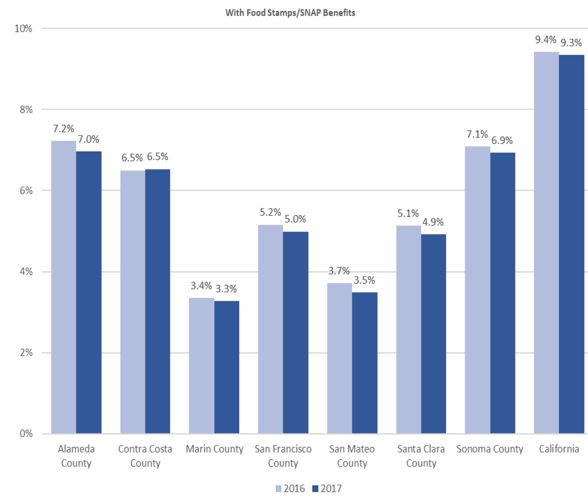
County had a higher proportion of residents paying more than 30 percent of their income on rent than the state as a whole, due in large part to higher than average salaries within the assessment area.[58] Notably, these figures do not take into account the families pushed out of the assessment area in search of affordable housing. Santa Clara, Marin, and Sonoma counties all experienced net negative migration during the review period.[59]

As depicted in Exhibit 6 on the following page, during the review period, the percentage of people living below the poverty level generally declined along with the percentage of households on food stamps in the assessment area. According to the Supplemental Poverty Measure, which factors in regional cost-of-living, government assistance programs, as well as housing costs, an estimated 19 percent of people in California live in poverty.[60] Additionally, 29.7 percent of all households in the Bay Area are liquid asset poor.[61] The liquid asset poverty rate represents the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income. More residents are being pushed into poverty and homelessness due to the region's housing crisis. By virtually every measure, the Bay Area's homeless crisis ranks among the worst in the United States.[62] The Bay Area has the third largest population of people experiencing homelessness in the U.S., behind only New York City and Los Angeles.[63] The chronic housing shortage especially at low-income levels, limited growth in wages at the bottom of the income spectrum, an insufficient inventory of short-term shelters and permanent supportive housing, and too few resources for mental health and addiction services, each played a role in leading up to the current crisis.[64]

[58] Ibid.
[59] Moody's Precis Reports: San Jose-Sunnyvale-Santa Clara, November 2018; San Rafael, November 2018; and Santa Rosa, November 2018.
[60] U.S. Census Bureau, The Supplemental Poverty Measure: 2017; available from: https://www.census.gov/library/publications/2018/demo/p60-265.html.
[61] Prosperity Now Scorecard, San Francisco, CA Metro; available from: https://scorecard.prosperitynow.org/data-by-location#msa/41860.
[62] Bay Area Council Economic Institute, Bay Area Homelessness: A Regional View of a Regional Crisis, April 2019; available from: http://www.bayareaeconomy.org/report/bay-area-homelessness/ (accessed May 19, 2019).
[63] Ibid.
[64] Ibid.

Exhibit 6
Poverty and Food Stamp Usage Rates[65]
2016-2017





Credit and Community Development Needs

The economic data, as well as feedback from community contacts, indicate that small businesses in the assessment area face challenges in accessing credit and that some level of small business credit needs remain unmet by area banks. As previously mentioned, CRA reportable small businesses lending levels have improved, but remain below levels experienced prior to the Great Recession. According to the 2018 Small Business Credit Survey, 43 percent of employer firms applied for financing in the prior 12 months.[66] Less than half of the firms that applied for credit—47 percent—received all of the financing they sought.[67] A majority of firms applied for financing in amounts of less than $100,000, and the majority of all applicants were looking to expand their business or pursue a new opportunity.[68] Of the financing and credit products sought by businesses, 85 percent of applicants applied for either a business loan or line of credit.[69] Loan/line of credit and cash advance applicants reported higher approval rates—60 percent—in the 2018 survey than in previous surveys.[70] However, funding gaps were most acute for firms seeking $100,000 to $250,000, with 54 percent of these applicants receiving less than the full amount of financing sought.[71] Financing shortfalls were particularly pronounced among firms with weak credit profiles, unprofitable firms, younger firms, and firms in urban areas.[72] Overall, there is a general need for more access to credit and smaller dollar loans.

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[65] 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.
[66] Small Business Credit Survey, Report on Employer Firms 2019, available from: https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf.
[67] Ibid.
[68] Ibid.
[69] Ibid.
[70] Ibid.
[71] Ibid.
[72] Ibid.

Community contacts report that wildfires and floods that struck the assessment area during the review period have had a long-lasting impact on local businesses and housing availability. These disasters have made it more difficult for businesses to attract and retain a talented workforce due to high home prices and the elimination of affordable housing. High housing costs and low affordability and availability highlight the need for affordable housing solutions within the assessment area. In addition to traditional affordable housing development and financing and rental assistance, there is a strong need for innovative strategies that create new housing units for all income levels such as accessory dwelling units (ADUs) or separate small dwellings within single family properties. ADUs are an example of innovative solutions to the housing crisis and can offer a naturally-affordable supply of housing, especially in areas where there are fewer opportunities for large-scale developments.

The prevalence of poverty and cost-burdened households discussed previously highlight the importance of community service organizations within the bank's communities. There is an opportunity for banks to support the wide range of community needs in the assessment area, from innovative affordable housing solutions to access to credit for small businesses, by engaging in community development activities and/or partnering with organizations that address the aforementioned needs of those most vulnerable in the community. The ongoing demand for services often results in needs for these organizations in terms of financial support and technical assistance as they attempt to service significant low- and moderate-income populations within the bank's assessment area. Community contacts commented on the need for financial institutions to strategically partner with non-profits to assist with their resource constraints due to lackluster local philanthropy and a dire need for access to capital. Some of the most impactful activities by banks are affordable housing endeavors in the form of grants, special loan products and advocacy work, and classes and education around home ownership and financial literacy.

Scope of Examination

Presidio's CRA performance was evaluated using the *Interagency Intermediate Small Institution CRA Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities.

LENDING TEST

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

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

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

The lending test evaluation was based on a representative sample of small business loans originated from July 1, 2018 through December 31, 2018. A total of 56 small business loans were considered in the evaluation of *Lending in the Assessment Area*. Of that total, 52 small business loans were extended within the bank's assessment area. These loans were used in the evaluation of the *Lending Distribution by Geography* and *Lending Distribution by Business Revenue* evaluations.

COMMUNITY DEVELOPMENT TEST

The community development test was based on qualified community development loans, investments, and services provided by the bank from February 9, 2016 through April 29, 2019. The community development test evaluates the bank's level of community development activities relative to assessment area credit needs and opportunities, and the bank's capacity to participate in such activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The following sections contain conclusions regarding Presidio's overall performance.

Lending Test

Presidio's performance in its assessment area under the lending test is satisfactory.

LOAN-TO-DEPOSIT RATIO

Presidio's loan-to-deposit ratio is reasonable. The bank's 13-quarter average loan-to-deposit ratio was 89.0 percent as of March 31, 2019, exceeding the state of California average 85.1 percent, as well as the national average at 81.8 percent.

LENDING IN ASSESSMENT AREA

As depicted in Exhibit 7 below, a substantial majority of loans were extended inside the bank's assessment area, both in number and dollar amount. These lending levels demonstrate that lending activities are focused within the assessment area.

EXHIBIT 7
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS
JULY 1, 2018 TO DECEMBER 31, 2018

Loan Type	Inside				Outside			
	#	%	$ ('000s)	%	#	%	$ ('000s)	%
Small Business	52	92.9	22,900	88.9	4	7.1	2,847	11.1
Total Business Related	52	92.9	22,900	88.9	4	7.1	2,847	11.1
Total Loans	52	92.9	22,900	88.9	4	7.1	2,847	11.1

LENDING DISTRIBUTION BY GEOGRAPHY

The geographic distribution of small business loans is excellent. As depicted in Exhibit 8 on the following page, the bank extended loans in all geographies with a particularly strong performance in low– and moderate-income geographies. The bank's lending in low- and moderate-income census tracts exceeded the aggregate lending[73] and the concentration of small businesses in these census tracts over the review period.

[73] 2017 aggregate data was utilized throughout this evaluation, as this was the most current information available.

EXHIBIT 8 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
San Francisco Bay Area Assessment Area 2018								
Bank Lending	9	17.3	11	21.2	12	23.1	20	38.5
Aggregate Lending[74]	17,252	8.5	37,315	18.5	67,397	33.4	79,969	39.6
Business Concentration	33,956	9.0	69,173	18.4	123,910	32.9	149,909	39.8

LENDING DISTRIBUTION BY BUSINESS REVENUE

As depicted in Exhibit 9 below, the distribution of small business loans by business revenue is poor. The bank's frequency of lending to small businesses, defined as those with gross annual revenues of $1.0 million or less, was well below the relative percentage of small businesses and the performance achieved by aggregate CRA reporters active in the assessment area. The number of small businesses in the assessment area, combined with the aggregate lending volume to small businesses, reflects that there are ample opportunities available within the assessment area to increase lending to small businesses. Presidio did, however, extend a good percentage of loans in small dollar amounts, i.e., in amounts of less than $250,000, which was responsive to articulated needs of small businesses.

EXHIBIT 9 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=$1M in Revenue (%)	Aggregate Lending (%)	<=$100K (%)	> $100K & <=$250K (%)	>250K & <=$1M (%)
2018	52	26.9	91.0	53.3[75]	9.6	23.1	67.3

Community Development Test

Presidio's performance under the community development test is outstanding. This assessment is based on a significant level of community development loans, investments, and services provided in the assessment area. Community development activities were responsive to the articulated needs for affordable housing, social services to low- and moderate-income families, and access to credit for small businesses. Exhibit 10 on the following page includes details regarding the community development activities that the bank engaged in over the review period.

[74] 2017 aggregate data was utilized throughout this evaluation, as this was the most current information available.
[75] Ibid.

Exhibit 10 Community Development Activities								
Assessment Area	**Loans**		**Investments**				**Services**	
			Prior Period		**Current Period**			
	#	**$ ('000s)**	**#**	**$ ('000s)**	**#**	**$ ('000s)**	**#**	**Hours**
San Francisco Bay Area	50	108,141	2	1,817	189	4,039	81	2,971
Broader Statewide or Regional Area	1	8,000	0	0	4	4	0	0
Total	**51**	**116,141**	**2**	**1,817**	**193**	**4,043**	**81**	**2,971**

Community Development Lending

Presidio originated a significant level of community development loans totaling more than $116 million over the review period. One of these loans benefitted a broader statewide or regional area which includes the assessment area. Lending was responsive to critical needs of the community in support of affordable housing development. Other loans supported social services to low- and moderate-income families, and access to credit for small businesses. Notable loans included:

- $27 million to provide financing to a local university where the majority of the student body is comprised of low- and moderate-income students who rely on federal aid through Pell grants.
- $20 million to provide financing to affordable housing projects in Alameda and Contra Costa counties, creating 226 units.
- $9.5 million to Small Business Administration (SBA)-qualified small businesses (504) that will help create jobs for approximately 22 individuals.
- $9 million to provide financing to a nonprofit providing services to at-risk youth who are transitioning from foster care to independent living.
- $8 million to provide financing to projects that will provide 1,716 units of affordable housing on a statewide basis.
- $4.5 million to a Certified Development Corporation to fund Community Advantage SBA 7A loans pending lender financing.
- $1 million to a Certified Development Financial Institution (CDFI) to fund micro loans to small businesses. The CDFI also provides services such as coaching, financial review and technical support to these small businesses.

Community Development Investments

Presidio made over $5.8 million in community development investments, grants, and donations that served a variety of community development purposes, including services available to low- and moderate-income individuals, affordable housing, and funding to organizations that support small businesses, including entrepreneurs. Notable investments included:

- One investment for $3 million for a Low-Income Housing Tax Credit (LIHTC) that will help create 237 units of affordable housing.

- Over $206,000 contributed to nonprofit legal services organizations via the State Bar of California through the bank's participation as a Leadership Bank in the Interest on Lawyers Trust Accounts (IOLTA) program.
- $11,910 donated to an organization that provides housing, healthcare and an accredited school to at-risk teenage boys.
- $5,000 donated to a non-profit engaged in solar energy installations for low-income housing and work force development to low- and moderate income individuals.

COMMUNITY DEVELOPMENT SERVICES

Presidio provided 2,971 community service hours to 33 different organizations primarily focused on addressing the needs of low- and moderate-income individuals. These services helped organizations provide assistance with housing needs and other social services to low- and moderate-income individuals, youth at risk, and access to credit for small businesses. Notable services included:

- Over 2,600 hours were provided to organizations that provide affordable housing and emergency shelter, among other services to low- and moderate-income and homeless individuals within the assessment area.
- Over 300 hours were provided to support local CDFI organizations and to nonprofits that extend micro-loans to entrepreneurs.

Fair Lending or Other Illegal Practices Review

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

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.