

PUBLIC DISCLOSURE

January 23, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Preferred Bank
Certificate Number: 33539

601 South Figueroa Street
Los Angeles, CA 90017

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory			
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

- Lending levels reflect good responsiveness to assessment area (AA) credit needs.
- An adequate percentage of loans are made in the institution’s AAs.
- The geographic distribution of loans reflects poor penetration throughout the AAs.
- The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among retail customers of different income levels and business customers of different revenue size.
- The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its AAs, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.
- The bank is a leader in making community development (CD) loans.
- The bank makes limited use of innovative and/or flexible lending practices in order to serve AA credit needs.

The Investment Test is rated Outstanding.

- The institution has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and CD needs.

- The institution occasionally uses innovative and/or complex investments to support CD initiatives.

The Service Test is rated Outstanding.

- Delivery systems are accessible to essentially all portions of the institution's AAs.
- No branches were opened or closed during the evaluation period in the AAs; therefore, this criterion was not considered under the Service Test.
- Services (including business hours) do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income (LMI) geographies and/or individuals.
- The institution is a leader in providing CD services.

DESCRIPTION OF INSTITUTION

Preferred Bank (PB) is a state-chartered commercial bank headquartered in Los Angeles, California. PB has no holding company, subsidiaries, or affiliates. The bank has not had any merger or acquisition activities since the previous evaluation. At PB’s prior CRA Evaluation, dated January 6, 2020, the Federal Deposit Insurance Corporation (FDIC) rated the bank as “Satisfactory” based on Interagency Large Institution Examination Procedures.

PB operates 13 branches in the states of California and New York. PB has not opened or closed any branches since the previous evaluation. As of the most recent Report of Condition and Income (Call Report) on September 30, 2022, the bank had total assets of \$6.3 billion, including \$5.0 billion in total loans and \$390.0 million in total securities. Total deposits equaled \$5.5 billion. The distribution of the bank’s loan portfolio is shown in the following table.

Loan Portfolio Distribution as of 09/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	374,959	7.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	579,613	11.6
Secured by Multifamily (5 or more) Residential Properties	503,266	10.0
Secured by Nonfarm Nonresidential Properties	2,185,716	43.5
Total Real Estate Loans	3,643,554	72.6
Commercial and Industrial Loans	1,357,182	27.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	0	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	20,115	0.4
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	5,020,851	100.0
<i>Source: Reports of Condition and Income</i>		

PB is primarily a commercial lender. Loan products include commercial real estate loans, commercial term loans and lines of credit, construction and development loans, and business credit cards. The bank also offers trade finance loans and services, including: export financing, letters of credit, foreign currency services, and international wire transfers. For consumers, the bank offers a variety of home mortgage loan and personal credit card products. Since the prior evaluation, the bank introduced the Zelle electronic money transfer system. The bank’s lending strategy and credit products have not changed since the prior evaluation.

The bank’s deposit products include a variety of commercial and consumer checking, savings, money market, and time deposit accounts. Other products and services offered by the bank include debit cards, individual retirement accounts, and treasury management services. PB offers the full range of banking products and services at all branch locations.

Examiners did not identify any material changes in the bank’s financial condition or any financial, legal, or other impediments that adversely affect the bank’s ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREAS

Based on branch locations and loan origination activity, PB has designated four AAs across the states of California and New York. Within California, the bank has three AAs: the Los Angeles AA, Riverside AA, and the San Francisco AA. In the state of New York, the bank has a single AA: the New York AA. Each state represents a separate rated area. Management has made the following changes to the AAs since the prior evaluation.

- Management added “the entire Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) #40140” as the new Riverside AA within the state of California.
- Management expanded the San Francisco AA within the state of California from “the entire San Francisco County” to “the entire San Francisco-Oakland-Hayward MSA #41860.”
- Management expanded the New York AA from the “contiguous portions of Kings, Queens, New York, and Nassau Counties” to the “entire New York-Jersey City-White Plains MD #35614 consisting of Kings, Queens, New York, Bronx, Westchester, Richmond, Rockland, Putnam, Bergen, Hudson and Passaic Counties, and the entire Nassau County-Suffolk County MD #35004 consisting of Nassau and Suffolk Counties.”

The following table shows the four AAs throughout California and New York.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Los Angeles	Los Angeles and Orange	2,929	10
Riverside	Riverside and San Bernardino	822	0
San Francisco	Alameda, Contra Costa, San Francisco, San Mateo, and Marin.	1,102	2
New York	Bergen, Bronx, Hudson, Kings, Nassau, New York, Passaic, Putnam, Queens, Richmond, Rockland, Suffolk, and Westchester.	3,081	1
<i>Source: Bank Data</i>			

The AAs comply with the technical requirements of the CRA and do not arbitrarily exclude LMI neighborhoods. Refer to each rated area and AA for complete details on the bank’s operations and relevant economic, demographic, and competition information.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Large Institution Examination Procedures to evaluate PB’s CRA performance from the prior evaluation dated January 6, 2020, to the current evaluation dated

January 23, 2023. Based on the distribution of branches, deposits, and reported loans, the state of California received the greatest weight. Within the state of California, the Los Angeles AA received the most weight, as it is where the bank is headquartered and where a significant majority of the bank's activities are generated.

Examiners used full-scope examination procedures to evaluate the bank's performance in the Los Angeles AA due to the large majority of activity and used limited-scope procedures to evaluate performance in the San Francisco AA due to the limited amount of activity and in the Riverside AA due to no branches in the AA. Examiners evaluated the New York AA using full-scope procedures because it is the only AA in the rated area.

Activities Reviewed

Considering the business strategy, and the number and dollar amount of loans originated and purchased, examiners determined that small business and home mortgage loans represent the bank's major product lines. The bank did not originate or purchase small farm or consumer loans during the evaluation period; as such, these products were excluded from review.

Pursuant to the CRA and Home Mortgage Disclosure Act (HMDA), PB is required to report all originated or purchased small business and home mortgage loans, respectively. In this evaluation, examiners considered all small business and home mortgage loans reported in 2020 and 2021. In those two years, PB originated or purchased 1,426 small business loans totaling \$230.9 million and 408 home mortgage loans totaling \$582.7 million. Based on the larger number of small business loans and the bank's focus in commercial lending, examiners weighted the performance in small business loans more heavily. With one exception, examiners placed more weight on home mortgage loans in Riverside AA due to the significant larger number and dollar amount of home mortgage loans originated or purchased in that AA compared to small business loans.

While this evaluation presents the number and dollar volume of loans, performance by the number of loans is emphasized because it is a better indicator of the number of businesses and individuals served. As comparisons for the bank's performance, examiners used 2015 American Community Survey (ACS) Census data, 2020 and 2021 D&B data, and 2020 and 2021 aggregate data. Demographic and aggregate data for 2022 was not available at the time of this evaluation.

Examiners also evaluated the bank's CD loans, qualified investments, and CD services from the January 6, 2020, CRA Evaluation to September 30, 2022. The evaluation of CD activities is limited to those loans, investments, and services for which management could demonstrate the activity met the primary purpose of CD. The evaluation of CD investments also includes prior period investments still outstanding at the time of this evaluation. Examiners evaluated CD activities quantitatively based on the financial capacity of the bank, and qualitatively based upon the impact to the AAs. Examiners also compared PB's current CD performance with its previous performance and that of similarly-situated institutions.

Finally, examiners reviewed retail banking products and services targeted to LMI individuals or small businesses or that are tailored to meet the needs of the AAs. Examiners also reviewed retail

delivery systems, such as branch offices and alternative delivery systems. There were no new branches or branch closures since the prior evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test rating is “Low Satisfactory.” Good lending activity, adequate AA concentration, poor geographic distribution, adequate borrower profile, and a leader in CD lending support this rating. The bank’s performance in California is not consistent with its performance in New York. Refer to each rated area’s Lending Test section for a detailed analysis.

Lending Activity

PB’s lending levels reflect good responsiveness to AA credit needs. Good responsiveness in both California and New York supports this conclusion. During the review period, PB originated or purchased 713 small business loans totaling \$181.7 million within the AAs. This represents a significant increase in small business lending, especially by number of loans, compared to the previous evaluation. By number of loans, the bank’s small business lending increased 150.2 percent and by dollar volume, it increased 51.5 percent. This increase is largely attributed to the bank’s Small Business Administration (SBA) Paycheck Protection Program (PPP) lending activity in both 2020 and 2021. PB originated 339 SBA PPP loans in its AAs during the review period. The bank also made 382 home mortgage loans totaling \$448.1 million during the review period. Home mortgage lending shows an increase of approximately 39.0 percent by number and 14.0 percent by dollar volume from the previous evaluation. Refer to each full-scope AA for more details.

PB maintained a net loan-to-deposit ratio of 88.2 percent during the review period. The ratio fluctuated between a low of 82.3 percent as of September 30, 2021, and a high of 94.5 percent as of March 31, 2020. Both total assets and deposits grew approximately 33.0 percent during the review period. The bank’s net loan-to-deposit ratio nearly mirrors a similarly-situated bank that had a net loan-to-deposit ratio of 89.7 percent during the same period. The bank’s asset and deposit growth, as well as the steady loan-to-deposit ratio, reflects favorably on the bank’s performance.

Assessment Area Concentration

PB originated or purchased an adequate percentage of loans within its AAs during the review period. Overall, 59.7 percent by number, and 77.4 percent by dollar volume of loans are inside the bank’s AAs. The following table shows the bank’s AA lending for both home mortgage and small business loans by year, number of loans, and dollar volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	191	91.8	17	8.2	208	210,603	79.8	53,171	20.2	263,774
2021	191	95.5	9	4.5	200	237,511	74.5	81,377	25.5	318,888
Subtotal	382	93.6	26	6.4	408	448,114	76.9	134,548	23.1	582,662
Small Business										
2020	410	40.9	592	59.1	1,002	90,891	72.8	33,965	27.2	124,856
2021	303	71.5	121	28.5	424	90,765	85.6	15,291	14.4	106,056
Subtotal	713	50.0	713	50.0	1,426	181,656	78.7	49,256	21.3	230,912
Total	1,095	59.7	739	40.3	1,834	629,770	77.4	183,804	22.6	813,574
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

PB's home mortgage loan performance showed considerable improvement by number of loans from the previous evaluation in which the bank originated or purchased 70.5 percent of loans inside the AA during a similar two-year evaluation period. The percentages are similar by dollar volume.

In 2020, the bank's small business lending, by number of loans, was less than a majority. The performance is similar to the previous evaluation where the two-year average by number of small business loans was 46.5 percent. The primary reason for the lower percentage of loans inside the AA, especially in 2020, is due to the purchase of small business healthcare-related loans made throughout the country. The bank's performance improved significantly in 2021, as it purchased far fewer of these small business loans and focused more on the bank's AAs.

Geographic Distribution

PB's geographic distribution reflects poor penetration throughout the AAs. Examiners noted no conspicuous lending gaps in the geographic distribution of loans. The bank's geographic distribution performance was consistent in both the California and New York rated areas. Refer to each AA's geographic distribution criteria section for a detailed analysis.

Borrower Profile

PB's distribution of borrowers reflects, given the demographics of the AAs, adequate penetration among retail customers of different income levels and businesses of different revenue sizes. Examiners noted consistent performance in California. PB's performance in New York exceeded the overall performance conclusion. Refer to each AA's borrower profile criteria section for a detailed analysis.

Innovative or Flexible Lending Practices

PB makes limited use of innovative and/or flexible lending practices in serving AA credit needs. During the review period, the bank participated in the Small Business Association’s Paycheck Protection Program (SBA PPP) to help support businesses in the AAs, provided mortgage loan forbearance relief in response to the pandemic, and established an SBA loan department.

At the start of the pandemic, the bank was not an active SBA lender and therefore needed to gather resources from every available department in order to accept and originate SBA PPP loans. During the review period, PB originated 339 SBA PPP loans, of which 199, for \$23.8 million, were made in 2020 and 140, for \$21.1 million, were made in 2021. The origination of SBA PPP loans provided a direct incentive for small businesses to keep workers on their payrolls and/or pay for other related operating expenses during the COVID-19 Pandemic.

The bank granted temporary forbearance to six mortgage loan borrowers totaling \$5.9 million in 2020. This was in direct response to providing borrowers temporary relief during the pandemic.

In March 2022, PB hired an experienced SBA lender and established an SBA loan department. The primary SBA products offered by the bank include the 7(a) and 504 loan programs. In 2022, the bank originated three SBA 7(a) loans totaling \$5.7 million.

Innovative and flexible lending practices do not vary by AA; therefore, these practices are only presented in this section of the evaluation.

Community Development Loans

PB is a leader in making CD loans throughout its AAs. The outstanding level of CD loans in both California and New York rated areas supports this conclusion. PB originated or purchased 44 loans totaling \$214.0 million in 2020, 58 loans totaling \$195.9 million in 2021, and 34 loans totaling \$274.2 million in 2022. The following table shows the bank’s CD lending by rated area.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
California	61	176,373	3	5,437	41	304,404	9	41,222	114	527,436
New York	8	65,178	0	0	10	66,628	4	24,900	22	156,706
Total	69	241,551	3	5,437	51	371,032	13	66,122	136	684,142
<i>Source: Bank Data</i>										

The bank’s CD lending represents a significant increase over its performance in the previous evaluation, where PB originated or purchased 69 CD loans totaling \$298.5 million over a shorter evaluation period. The percentage increase is 97.1 percent by number of loans and 129.2 percent by dollar volume. On an annualized basis, the percentage increase is 32.4 percent by number of loans and 43.1 percent by dollar volume. Overall, CD loans represent 11.8 percentage of average total assets and 15.4 percent of average total loans. Metrics improved from the previous evaluation,

where CD loans were 7.2 percent of average total assets and 8.8 percent of average total loans. The bank also compares favorably to four similarly-situated institutions, one of whom is a CD lending leader. The similarly-situated institutions have CD loans to average total assets ranging from 2.1 percent to 12.9 percent and CD loans to average total loans ranging from 2.7 percent to 16.0 percent. Refer to the AA sections of the evaluation for more information and notable examples.

INVESTMENT TEST

The Investment Test rating is “Outstanding.” PB’s excellent level of qualified CD investments and grants primarily supports this rating. The bank’s overall Investment Test performance was consistent in California and New York. Refer to each AA’s Investment Test conclusions for a detailed analysis on its performance.

Investment and Grant Activity

PB has an excellent level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The conclusion is supported by a significant level of qualified investments in California and in New York as compared to institutions of similar size, geographic footprint, and business strategy. Of the total, 17 qualified investments with an outstanding balance of \$58.6 million were from the prior period. The bank made 127 new qualified investments and grants totaling \$40.7 million within its AAs, plus one investment of \$7.0 million addressing nationwide activities. Performance remains consistent with the prior evaluation, where the bank maintained 12 prior-period investments with a total balance of \$33.1 million and made 73 qualified investments totaling \$48.6 million in a shorter evaluation period. Overall, the bank’s qualified investments of \$106.2 million equals 1.7 percent of average total assets and 24.2 percent of average total securities. Metrics declined moderately since the prior evaluation, when qualified investments equaled 1.8 percent of average total assets and 33.4 percent of average total securities. Additionally, PB’s ratios were higher than three of four similarly-situated institutions, two of which, maintained an excellent level of qualified CD investments and grants. The four similarly-situated institutions maintained investments as a percentage of average total assets ranging from a low of 1.3 percent to a high of 2.7 percent. These institutions also maintained investments as a percentage of average total securities ranging from a low of 11.3 percent to a high of 26.9 percent. Overall, PB’s level of qualified investments and grants was excellent compared to these four institutions. The table below shows the bank’s qualified investment activity by rated area and CD purpose.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
California	42	70,793	57	8,223	20	10,108	0	0	119	89,124
New York	4	10,013	21	92	0	0	0	0	25	10,105
Nationwide Activities	0	0	1	7,000	0	0	0	0	1	7,000
Total	46	80,806	79	15,315	20	10,108	0	0	145	106,229
<i>Source: Bank Records</i>										

The bank has one nationwide investment, a subordinated debt note from a Credit Union, which is a minority-owned financial institution located in Florida, for \$7.0 million. The investment helps to support that institution's future organic growth and acquisitions.

Refer to the statewide and AA sections for more information and notable examples.

Responsiveness to Credit and Community Development Needs

PB exhibits good responsiveness to credit and CD needs. This conclusion is supported by good responsiveness in California and New York. The credit and CD needs of each AA and the bank's responsiveness to those needs are discussed in the individual AAs.

Community Development Initiatives

PB occasionally uses innovative and/or complex investments to support CD initiatives. This conclusion is supported by the occasional use of innovative and/or complex investments in California and no use of innovative and/or complex investments in New York. Refer to each rated area's CD initiatives criterion section for details.

SERVICE TEST

The Service Test rating is "Outstanding." PB's relatively strong level of retail banking and excellent CD service performance support this rating. PB's performance was consistent in California and New York. Refer to each AA's Service Test conclusions for a detailed analysis.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution's AAs. PB's performance in California was below its performance in New York. Of PB's 13 branch offices, 4, or 30.8 percent of the bank's total branch network, are located in LMI census tracts (CT). The bank's single deposit-taking automated teller machine (ATM) is located in a low-income CT. Twelve branches, accounting for 92.3 percent of the total, are located in California. Additional alternative systems for delivering retail-banking services include online banking and bill pay, mobile banking, and telephone banking. Online and mobile services include deposit account opening, person-to-person payment, remote deposit capture, and electronic periodic statements.

Changes in Branch Locations

PB did not open or close any branches during the evaluation period; therefore, this criterion was not considered under the Service Test.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies and/or LMI individuals. PB's consistent performance in California and New York supports this conclusion.

All of the bank’s branches are full-service and banking hours generally reflect the needs of the local communities that they serve. All branch offices are open for reasonable business hours during weekdays. Four branches in California have extended morning hours and four are open late on Friday evenings. Two branches in Los Angeles County, California are in moderate-income CTs, and one branch in San Francisco is in a low-income CT. The New York branch, located in a moderate-income CT, is open extended hours in both the morning and evening. Additionally, three branches in California and the branch in New York are open on weekends, including hours on Sundays.

As previously discussed, the bank offers a variety of deposit accounts for business and personal banking. The personal savings account has a relatively low opening balance requirement of \$200 and \$300 for California and New York, respectively. One checking account product does not charge a monthly maintenance service fee, regardless of the balance maintained in the account.

Community Development Services

PB is a leader in providing CD services. This conclusion is primarily supported by a higher level of CD services in California and New York, as compared to four institutions of similar size, geographic footprint, and business strategy. During the evaluation period, 215 employees, including bank officers and staff, provided 4,784 hours of CD services to 41 different organizations throughout the bank’s AAs. Overall, the number of employees that provided CD services represents 71.2 percent of the bank’s 302 full-time employees. This represents a substantial increase in CD services from the prior evaluation, when 105 employees, or 37.2 percent of full-time employees, provided 1,592 hours of CD services throughout the bank’s AAs. PB’s ratios were higher than all four similarly-situated institutions. The four institutions had a percentage of participation in service hours of 37.0 percent or less, far less than PB’s 71.2 percent participation level. PB provided more than double the service hours of three of the four similarly-situated institutions, despite all four institutions maintaining more branch locations and more full-time employees than PB. The four similarly-situated banks were rated either adequate or relatively high levels of CD services, with total service hours and branch locations of 1,536 hours and 35 branches; 1,715 hours and 53 branches; 1,890 hours and 13 branches; and 7,360 hours and 69 branches. Overall, PB’s level of qualified services was excellent compared to these four institutions. The following table details the bank’s CD service hours by rated area and purpose.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
California	42	4,309	110	0	4,461
New York	0	323	0	0	323
Total	42	4,632	110	0	4,784
<i>Source: Bank Data</i>					

Refer to the full-scope AA sections for further detail and examples of CD services provided.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

CALIFORNIA

CRA RATING FOR STATE OF CALIFORNIA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: Outstanding

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CALIFORNIA

PB delineated three AAs in California. The following table describes these AAs. Riverside AA is new within this rated area since the previous evaluation.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Los Angeles	Los Angeles and Orange	2,929	10
Riverside	Riverside and San Bernardino	822	0
San Francisco	Alameda, Contra Costa, San Francisco, San Mateo, and Marin.	980	2
<i>Source: Bank Data</i>			

Refer to each individual AA for specific demographic and economic information.

SCOPE OF EVALUATION – CALIFORNIA

The following table provides relevant loan, deposit, and branch information for each California AA. Refer to the overall Scope of Evaluation section for details regarding the state of California.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Home Mortgage Loans		Small Business Loans		Deposits	
	\$(000s)	%	\$(000s)	%	\$(000s)	%
Los Angeles	283.7	70.7	64.0	77.7	4,692.8	94.2
Riverside	89.2	22.2	7.3	8.9	0	0.0
San Francisco	28.7	7.1	11.1	13.4	286.2	5.8
Total	401.6	100.0	82.4	100.0	4,979.0	100.0
<i>Source: 2020 and 2021 HMDA Loans – Bank Records; 2020 and 2021 Small Business Loans - Bank Data; FDIC Summary of Deposits (06/30/2022)</i>						

CONCLUSIONS ON PERFORMANCE CRITERIA IN CALIFORNIA

LENDING TEST

PB’s California Lending Test rating is “Low Satisfactory.” The bank’s performance is consistent in the Los Angeles and San Francisco AAs; however, performance was weaker in the Riverside AA. Refer to each AA for details.

Lending Activity

PB's lending levels reflect good responsiveness to AA credit needs in the state of California. The bank's performance was good in the more heavily weighted Los Angeles AA. Performance was not consistent in the Riverside and San Francisco AAs.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the California AAs. The bank's performance was poor in the more heavily weighted Los Angeles AA. Performance in the Riverside and San Francisco AAs exceeded overall performance.

Borrower Profile

The distribution of borrowers in California reflects adequate penetration among retail customers of different income levels and business customers of different sizes. The bank's performance was adequate in the more heavily weighted Los Angeles AA. Performance was consistent in the San Francisco AA and below in the Riverside AA.

Community Development Loans

PB is a leader in making CD loans in California. The bank's excellent level of lending in the Los Angeles AA, which exceeded that in both the Riverside and San Francisco AAs, supports this conclusion. The following table shows the bank's CD loans by AA and purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Los Angeles	48	126,574	3	5,437	25	150,754	7	34,942	83	317,707
Riverside	2	6,397	0	0	6	56,000	2	6,280	10	68,677
San Francisco	11	43,402	0	0	10	97,650	0	0	21	141,052
Total	61	176,373	3	5,437	41	304,404	9	41,222	114	527,436

Source: Bank Data

PB's level of CD lending in California increased significantly by both number and dollar volume compared to the previous evaluation where the bank originated 61 CD loans totaling \$255.0 million during a shorter evaluation period. Lending activities supported all CD categories with a majority of loans by dollar volume supporting economic development. As shown in the above table, CD lending performance is not consistent throughout the California AAs, with most activities occurring in the more heavily weighted Los Angeles AA. CD loans benefiting the California AAs, including notable examples, are described in the individual AA sections of this performance evaluation.

INVESTMENT TEST

The Investment Test is rated “Outstanding” for the State of California. Performance in the Los Angeles AA is excellent. Performance was consistent in the San Francisco AA and below in the Riverside AA. Refer to each individual AA section for more detailed information and analysis of the criteria.

Investment and Grant Activity

PB has an excellent level of qualified CD investments and grants in California, often in a leadership position, particularly those that are not routinely provided by private investors. PB does not have any qualified equity investments and only two donations within the Riverside AA. The table below shows the bank’s qualified investment activity by AA and purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Los Angeles	32	62,673	44	8,154	20	10,108	0	0	96	80,935
Riverside	2	10	0	0	0	0	0	0	2	10
San Francisco	8	8,110	13	69	0	0	0	0	21	8,179
Total	42	70,793	57	8,223	20	10,108	0	0	119	89,124

Source: Bank Data

Responsiveness to Credit and Community Development Needs

PB exhibits good responsiveness to the credit and CD needs of the California AAs. Examiners identified affordable housing as a need in all three AAs. The bank’s qualified investments in Low Income Housing Tax Credit Funds (LIHTC) supported affordable housing in both the Los Angeles AA and other, more rural, areas throughout California, including the Central Valley. Many of these locations are underserved. PB’s qualified investments in these areas demonstrate good responsiveness to AA credit and CD needs. PB also supported affordable housing through mortgage-backed securities and qualified grants in the Los Angeles and San Francisco AAs.

Community Development Initiatives

PB occasionally uses innovative and/or complex investments to support CD initiatives in the California AAs. The bank purchased three LIHTC fund investments, totaling \$30.0 million, and has six prior-period LIHTC fund investments, with an outstanding balance of \$36.9 million, that benefit the California AAs and the broader statewide area. While not particularly innovative or complex, these investments are not routinely provided by private investors. The other investments in California are not innovative or complex, and are commonly provided by private investors.

SERVICE TEST

PB's California Service Test Rating is "Outstanding." PB's Service Test performance was excellent in the Los Angeles AA. Performance was consistent in the San Francisco AA and below in the Riverside AA.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the California AAs. The branch distribution and alternate delivery systems are consistent with the institution overall. PB operates 12 full-service branches in California of which 1 is in low-, 2 are in moderate-, 4 are in middle-, and 5 are in upper-income CTs. Refer to each individual AA analysis for details.

Changes in Branch Locations

No branches were opened or closed during the evaluation period in the California AAs; therefore, this criterion was not considered under the Service Test.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the California AAs, particularly LMI geographies and/or LMI individuals. Business hours and services for California are consistent with those discussed at the overall institution level; refer to the institution-wide Service Test section for details.

Community Development Services

PB provides an excellent level of CD services within the California AAs. This conclusion is primarily supported by a higher level of services in California, as compared to four institutions of similar size, geographic footprint, and business strategy. During the evaluation period, 197 employees, including bank officers and staff, provided 4,461 hours of CD services to 41 different organizations throughout the California AAs. Overall, the number of employees that provided CD services represent 65.2 percent of the bank's 302 full-time employees. This represents a 315.0 percent increase in CD service hours for the California AAs from the 1,505 hours of CD services reported at the prior evaluation. PB exceeded the number of service hours in California by more than double the number of service hours when compared to three similarly-situated banks and also had a greater participation of employees. PB nearly achieved the number of hours of the fourth similarly-situated bank, which has four times the total assets and more than three times the number of branches. The following table details the bank's CD service hours by rated area and purpose.

Community Development Services by Assessment Area - California					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Los Angeles AA	42	3,874	102	0	4,018
Riverside	0	0	0	0	0
San Francisco	0	435	8	0	443
Total	42	4,744	118	0	4,461
<i>Source: Bank Data</i>					

Refer to the Los Angeles full-scope AA for notable examples of CD services.

LOS ANGELES ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN LOS ANGELES ASSESSMENT AREA

The Los Angeles AA is located in Southern California and consists of Los Angeles and Orange counties. Los Angeles County encompasses the entire Los Angeles-Long Beach-Glendale MD with Orange County including the entire Anaheim-Santa Ana-Irvine MD. The counties are contiguous and together are the Los Angeles-Long Beach-Anaheim MSA #31080.

Economic and Demographic Data

According to the 2015 ACS data, the Los Angeles AA contains 266 low-, 821 moderate-, 760 middle-, 1,028 upper-income, and 54 CTs with no income designation. The following table illustrates select demographic, housing, and business information within the Los Angeles AA.

Demographic Information of the Assessment Area						
Los Angeles Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,929	9.1	28.0	26.0	35.1	1.8
Population by Geography	13,154,457	8.6	28.9	26.9	35.0	0.6
Housing Units by Geography	4,541,360	7.5	25.8	26.2	40.1	0.4
Owner-Occupied Units by Geography	2,082,030	16.3	31.3	48.2	59.6	7.6
Occupied Rental Units by Geography	2,190,392	77.4	63.1	46.3	34.2	81.0
Vacant Units by Geography	268,938	6.3	5.7	5.5	6.2	11.4
Businesses by Geography	1,535,471	4.9	19.3	24.6	49.3	1.9
Farms by Geography	15,120	3.8	18.3	26.8	50.2	0.9
Family Distribution by Income Level	2,913,538	7.6	27.1	26.5	38.7	0.1
Household Distribution by Income Level	4,272,422	9.1	28.0	26.0	35.1	1.8
Median Family Income		77,488	Median Housing Value			515,607
FFIEC-Estimated Median Family Income for 2021		85,314	Median Gross Rent			1,353
			Families Below Poverty Level			15.4%

Source: 2015 ACS Data; 2021 D&B Data; FFIEC Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

The AA’s 1,535,471 businesses reported gross annual revenues as follows:

- 91.4 percent reported \$1 million or less,
- 3.4 percent reported more than \$1 million, and
- 5.2 percent did not report revenues.

Examiners obtained the following economic information from Moody’s Analytics as of November 2022.

Los Angeles-Long Beach-Glendale MD

Los Angeles County is slowing following a full employment recovery with a current low 4.9 percent unemployment rate matching that of the pre-pandemic level. Slowing national consumer spending will slow, but not jeopardize the recovery. The correction in house prices will be sharper than the national average with sales volume falling and inventories returning to pre-pandemic levels. Housing prices remain elevated and rising mortgage rates are making home ownership increasingly difficult. Tourism with hotel occupancy is expected to increase and the area will host the 2028 Olympics, which will provide a onetime boost to construction and visitor spending. The area’s strengths include a strong healthcare base and growing technological presence; global links through entertainment, tourism, and fashion; and the deep San Pedro Harbor that enables the area to handle megaships. The top three employers are Cedars-Sinai Medical Center, Los Angeles International Airport, and the University of California Los Angeles.

Anaheim-Santa Ana-Irvine MD

Orange County's recovery is in fair shape with a current low 2.7 percent unemployment rate and employment nearly that of the pre-pandemic level. It is projected that this area will make steady employment gains this year, with technology and tourism leading the economic expansion. House prices are sliding, consistent with the national average. The area's strengths include a highly trained, well-educated labor force; research and development that has increased demand for office space in the area; and a coastline and climate that attracts residents and visitors. The area's weaknesses include a contracting population, an abundance of low-wage jobs, and sensitivity to business cycle fluctuations. The top three employers are Disney Resorts, the University of California Irvine, and St. Joseph Health.

Competition

The Los Angeles AA is highly competitive for financial services. According to the June 30, 2022, FDIC Deposit Market Share Report, the AA had 109 financial institutions operating 2,145 branches with a total of \$795.8 billion in deposits. A number of very large national and regional financial institutions operate in the AA, including Bank of America, National Association (NA); JPMorgan Chase Bank, NA; Wells Fargo Bank, NA; City National Bank; and MUFG Union Bank, NA. Collectively, these financial institutions have a 59.7 percent deposit market share in the AA. PB maintains \$4.7 billion in deposits, representing 0.6 Percent of the AA deposit market share, and ranks 25th among competing financial institutions.

Community Contact

Examiners reviewed an existing community contact with a non-profit small business development company that assists the business community through promoting economic development. The contact identified affordable housing and financial education as the area's primary need.

Credit and Community Development Needs and Opportunities

Based on economic information, a community contact, and bank information, examiners determined that affordable housing and financial support for small businesses represent the area's primary needs and opportunities. There is also a need for financial education for small businesses and individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LOS ANGELES ASSESSMENT AREA

LENDING TEST

Overall, PB's lending test performance in the Los Angeles AA is adequate. Lending levels reflect good responsiveness. The geographic distribution of loans reflects poor penetration. The distribution of borrowers reflects adequate penetration. PB is a leader in making CD loans.

Lending Activity

PB's lending levels reflect good responsiveness to the Los Angeles AA credit needs. During the review period, the bank originated or purchased 501 small business loans totaling \$129.4 million, and 248 home mortgage loans totaling \$283.7 million within this AA. On an annualized basis, the bank's small business loans increased significantly while home mortgage loans remained similar compared to the previous evaluation. PB's participation in the SBA PPP contributed largely to the increase in small business lending, particularly in 2020.

There is a high level of competition for small business loans in the Los Angeles AA. In 2021, 353 lenders reported 603,813 small business loans. Of these institutions, PB ranked 78th by number of loans with a market share of 0.04 percent. PB's lending activity performance was below all peer banks identified; however, PB limited its origination of SBA PPP loans to existing customers. Some peer banks opened up SBA PPP lending to businesses outside of its existing customer base; thus, their lending activity was much greater. The top five small business lenders accounted for 67.0 percent of the small business market share by number of loans with all being nationwide lenders.

There is also high competition for home mortgage lending in the Los Angeles AA. In 2021, 941 lenders reported originating or purchasing 648,046 home mortgage loans. Of these institutions, PB ranked 344th by number of loans, with a market share of 0.02 percent. PB's home mortgage lending activity performance was below that of three peer banks identified which ranked 188th, 199th, and 299th. The top five lenders accounted for nearly 30.0 percent of the market share by number of loans, with only one of the five being a bank.

Geographic Distribution

PB's geographic distribution of loans reflects poor penetration throughout the Los Angeles AA. This conclusion is supported by poor performance in both small business lending and home mortgage lending.

Small Business Loans

The geographic distribution of small business loans reflects poor penetration. The following table shows PB's distribution of small business loans by CT income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Los Angeles						
Tract Income Level	% of Businesses	Aggregate Performance	#	%	\$(000s)	%
Low						
2020	4.8	5.2	9	3.2	2,103	3.2
2021	4.9	4.8	12	5.5	4,407	6.8
Moderate						
2020	19.1	19.4	43	15.2	7,997	12.3
2021	19.3	19.9	26	11.9	8,094	12.6
Middle						
2020	24.8	25.2	69	24.5	21,200	32.6
2021	24.7	25.5	39	17.8	17,066	26.5
Upper						
2020	49.3	48.6	153	54.3	31,324	48.2
2021	49.3	48.3	131	59.8	31,126	48.4
Not Available						
2020	1.9	1.7	8	2.8	2,369	3.6
2021	1.9	1.5	11	5.0	3,680	5.7
Totals						
2020	100.0	100.0	282	100.0	64,993	100.0
2021	100.0	100.0	219	100.0	64,373	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; 2020 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

In 2020, the bank’s lending in low-income CTs was slightly below aggregate and the percentage of businesses by 2.0 percentage points and 1.6 percentage points, respectively. Lending in moderate-income CTs was also below both aggregate data and the percentage of businesses by approximately 4.0 percentage points. Lending in low-income CTs improved in 2021 by 2.3 percentage points and was slightly greater than aggregate and the percentage of businesses. Lending in moderate-income CTs however, declined further and was 8.0 percentage points and 7.4 percentage points below the percentage of businesses. The bank’s small business lending performance reflected poor penetration at the previous evaluation.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor penetration. The following table shows the distribution of PB’s mortgage lending by CT income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Los Angeles						
Tract Income Level	% of Owner-Occupied	Aggregate Performance	#	%	\$(000s)	%
Low						
2020	2.7	2.2	1	0.7	351	0.2
2021	2.7	2.6	1	0.9	2,405	2.0
Moderate						
2020	17.6	14.8	13	9.4	17,491	10.6
2021	17.6	16.0	9	8.2	4,805	4.1
Middle						
2020	27.5	26.9	19	13.8	13,234	8.0
2021	27.5	26.7	23	20.9	13,203	11.2
Upper						
2020	52.2	55.7	94	68.1	125,812	76.0
2021	52.2	54.2	66	60.0	87,737	74.3
Not Available						
2020	0.1	0.4	11	8.0	8,748	5.3
2021	0.1	0.5	11	10.0	9,893	8.4
Totals						
2020	100.0	100.0	138	100.0	165,636	100.0
2021	100.0	100.0	110	100.0	118,043	100.0

*Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

PB's lending in low-income CTs ranged between 1.5 and 2.0 percentage points below both aggregate performance and the percentage of owner-occupied housing units in 2020 and 2021. Lending in moderate-income CTs in 2020 and 2021 is 5.4 percentage points and 7.8 percentage points below aggregate data, respectively. The bank's lending performance declined from the good performance at the previous evaluation.

Borrower Profile

PB's distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and retail customers of different income levels. Adequate small business and poor home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects adequate penetration among business customers of different revenue sizes in the Los Angeles AA. The following table illustrates the bank's small business lending by revenue size.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Los Angeles-Orange MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance	#	%	\$(000s)	%
<=\$1,000,000						
2020	89.3	41.7	63	22.3	12,934	19.9
2021	90.6	45.3	47	21.5	15,927	24.7
>\$1,000,000						
2020	4.6	--	49	17.4	26,230	40.4
2021	3.8	--	46	21.0	27,016	42.0
Revenue Not Available						
2020	6.1	--	170	60.3	25,829	39.7
2021	5.6	--	126	57.5	21,430	33.3
Totals						
2020	100.0	100.0	282	100.0	64,993	100.0
2021	100.0	100.0	219	100.0	64,373	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; 2020 CRA Aggregate Data, "-- "data not available. Due to rounding, totals may not equal 100.0%</i>						

The bank’s lending to small businesses in 2020 is 19.4 percentage points below aggregate performance. Small business lending performance in 2021 is similar to 2020, and is nearly 24.0 percentage points below aggregate. Lending performance is below the previous evaluation where the bank originated 42.0 percent and 32.9 percent of small business loans to small businesses in 2018 and 2019, respectively. The decline is largely attributable to the 256 SBA PPP loans originated in 2020 and 2021 with no revenues reported.

Of the 170 small business loans made in 2020 to businesses with revenue not available by number of loans, 149 or 87.6 percent were SBA PPP loans. Further analysis shows approximately 58.0 percent of loans with a loan amount of \$100,000 or less, 24.0 percent with a loan amount greater than \$100,000 to less than or equal to \$250,000, and 19.0 percent with a loan amount greater than \$250,000. In 2021 the bank’s lending in this category is similar to 2020 with approximately 85.0 percent of loans originated to businesses with revenue not available by number of loans were SBA PPP originations. Further analysis shows approximately 51.0 percent of loans with a loan amount of \$100,000 or less, 25.0 percent with a loan amount greater than \$100,000 to less than or equal to \$250,000, and 25.0 percent with a loan amount greater than \$250,000. The high percentage of loans originated with loan amounts of \$100,000 or less reflects favorably on the bank’s small business lending performance and demonstrates the bank’s positive response to addressing the needs of small businesses during the pandemic.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among retail customers of different income levels throughout the AA. The following table show the bank's home mortgage lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Los Angeles						
Borrower Income Level	% of Families	Aggregate Performance	#	%	\$(000s)	%
Low						
2020	24.4	2.5	0	0.0	0	0.0
2021	24.4	3.1	3	2.7	1,753	1.5
Moderate						
2020	16.3	7.2	1	0.7	360	0.2
2021	16.3	7.7	2	1.8	894	0.8
Middle						
2020	17.0	17.2	8	5.8	3,592	2.2
2021	17.0	16.4	3	2.7	1,017	0.9
Upper						
2020	42.3	57.6	112	81.2	104,454	63.1
2021	42.3	55.5	93	84.5	75,719	64.1
Not Available						
2020	0.0	15.5	17	12.3	57,231	34.6
2021	0.0	17.2	9	8.2	38,661	32.8
Totals						
2020	100.0	100.0	138	100.0	165,636	100.0
2021	100.0	100.0	110	100.0	118,043	100.0

*Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

The bank originated no loans to low-income borrowers in 2020; however, performance improved in 2021, and was only slightly below aggregate. The bank's lending to moderate-income borrowers was 6.5 percentage points and 5.9 percentage points below aggregate lending in 2020 and 2021, respectively. Aggregate data shows opportunities to lend to low-income borrowers; however, there are more opportunities to lend to moderate-income borrowers. Demographic data shows that approximately 13.0 percent of families live below the poverty level. The high poverty rate directly affects low-income borrowers, who would likely not be able to afford to purchase a home. PB's lending performance is similar to the previous evaluation where the bank's performance was determined to be poor.

Community Development Loans

PB is a leader in making CD loans in the AA. The following table shows the bank’s CD loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	13	35,630	2	3,138	11	43,129	0	0	26	81,897
2021	21	59,413	1	2,300	10	37,125	6	25,592	38	124,430
2022	14	31,531	0	0	4	70,500	1	9,350	19	111,381
Total	48	126,574	3	5,438	25	150,754	7	34,942	83	317,708
<i>Source: Bank Data</i>										

CD loans increased significantly from the previous evaluation where the bank made 43 loans totaling \$178.8 million during a shorter evaluation period. On an annualized basis, CD loans increased approximately 29.0 percent by number of loans and 18.0 percent by dollar volume. The bank made a significant number and dollar volume of affordable housing loans, which is a significant need in the AA. The following are notable examples of CD loans originated in the AA during the evaluation period.

- In 2021, the bank made a \$4.5 million dollar loan to support the manufacturing of prefabricated homes to be delivered and used throughout the Los Angeles AA. These homes are being built in collaboration with the California Department of Housing and Community Development to provide homes to low-income veterans, seniors, young families, farm workers, people with disabilities, and individuals and families experiencing homelessness. This loan helps to address affordable housing, which is a significant AA need.
- In 2021, the bank renewed a \$4.0 million dollar short-term working capital loan that will help accommodate business expansion and operations. The business provides syndication services to affordable housing developers and historic restorations. LIHTC funds are used to expand business to retain existing and attract new residents through building new affordable housing units in the AA. This loan helps to support the development of affordable housing in the AA.
- In 2021, the bank provided a \$23.0 million dollar construction loan to build a 7-story, 114-unit apartment building of which 12-units, representing 10.5 percent, are reserved for low-income individuals. As a result, the bank received pro-rata credit of approximately \$2.4 million. This loan helps address AA affordable housing needs.
- In 2022, the bank made a \$20.3 million dollar loan to refinance a 285-room hotel to assist the borrower in its continued recovery from the COVID-19 pandemic by helping to strengthen business financial operations and maintaining existing employees. The hotel is located in a moderate-income geography and employs approximately 60 moderate-income individuals. This loan helps provide financing to a qualified small business and retains area

jobs for LMI individuals.

- In 2020, PB made a \$4.3 million dollar SBA PPP loan to an area business that provides jobs to 665 individuals with an average annual salary of \$31,368 per employee. The business is located in a low-income geography. This loan helps support economic development by providing financing to a qualified small business that employs low-income wage employees.

INVESTMENT TEST

Investment test performance in the Los Angeles AA is excellent. PB has an excellent level of qualified CD investments and grants in the Los Angeles AA. PB exhibits good responsiveness to credit and CD needs. The institution makes occasional use of innovative and complex investments.

Investment and Grant Activity

PB has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely purchased by private investors. The following table shows the bank's qualified investments by year and purpose.

Qualified Investments Los Angeles Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	13	37,566	2	7,923	1	10,000	0	0	16	55,489
2020	1	15,000	0	0	0	0	0	0	1	15,000
2021	0	0	0	0	0	0	0	0	0	0
2022	1	10,000	0	0	0	0	0	0	1	10,000
Subtotal	15	62,566	2	7,923	1	10,000	0	0	18	80,489
Qualified Grants & Donations	17	107	42	231	19	108	0	0	78	446
Total	32	62,673	44	8,154	20	10,108	0	0	96	80,935

Source: Bank Records

Overall, the bank's level of qualified investment activity increased significantly during the current evaluation period. In the prior, shorter evaluation period, the bank made four new investments, totaling \$33.4 million, while maintaining all prior-period investments. In the current, longer, evaluation period, the bank made two new investments, totaling \$25.0 million, while maintaining all prior-period investments.

PB's investments by dollar amount primarily supported affordable housing, an identified CD need in the AA. In 2020, the bank made a \$15.0 million LIHTC investment. The housing units within the investment are restricted to residents earning up to 60.0 percent of the area median income (AMI). In 2022, the bank made a \$10.0 million investment in an LIHTC. The investment properties in Los Angeles and Orange counties have a total of 182 units, all of which are restricted to residents earning no more than 60.0 percent of the AMI.

The bank's qualified grants and donations support community services, affordable housing, and economic development. At the prior evaluation, the bank made \$147,000 in donations and grants in the AA. In the current evaluation period, though longer, donations and grants increased significantly to \$446,000. Below are notable examples of the bank's qualified grants and donations.

- In 2020, 2021, and 2022, PB donated a combined \$19,500 to Junior Achievement of Southern California to assist young LMI individuals with financial literacy.
- In 2020 and 2021, PB donated a combined \$10,000 to Los Angeles Mission to provide affordable housing for the homeless.
- In 2021, PB donated \$10,000 to the Boys and Girls Club supporting after school in-person programs for LMI individuals.

Responsiveness to Credit and Community Development Needs

PB exhibits good responsiveness to credit and CD needs in the Los Angeles AA; refer to California rated area for details.

Community Development Initiatives

PB occasionally uses innovative and/or complex investments to support CD initiatives. Refer to California rated area for details.

SERVICE TEST

Service test performance in the Los Angeles AA is excellent.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the AA. Los Angeles AA performance is consistent with the bank's overall performance. PB operates 10 full-service branches and its corporate headquarters within the AA, including 2 branches, or 20.0 percent of the branch network, within moderate CTs. The following table shows the distribution of CTs, population, and branches in the AA by income level.

Branch and ATM Distribution by Geography Income Level								
Los Angeles AA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	266	9.1	1,129,265	8.6	0	0.0	0	0.0
Moderate	821	28.0	3,805,375	28.9	2	20.0	0	0.0
Middle	760	26.0	3,538,411	26.9	4	40.0	0	0.0
Upper	1,028	35.1	4,604,135	35.0	4	40.0	0	0.0
NA	54	1.8	77,271	0.6	0	0.0	0	0.0
Totals	2,929	100.0	13,154,457	100.0	10	100.0	0	100.0

*Source: 2015 ACS Census & Bank Data
Due to rounding, totals may not equal 100.0*

Changes in Branch Locations

No branches were opened or closed during the evaluation period in the AA; therefore, this criterion was not considered under the Service Test.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or LMI individuals. Refer to the institution-wide Service Test section for specific details.

Community Development Services

PB provides an excellent level of CD services; see the following table.

Community Development Services					
Los Angeles Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	999	16	0	1,015
2021	5	1,416	29	0	1,450
2022	37	1,459	57	0	1,553
Total	42	3,874	102	0	4,018

Source: Bank Data

During the evaluation period, 180 employees provided CD services to 29 organizations for a total of 4,018 hours. This represents an increase from the prior evaluation, where 85 employees provided CD services totaling 1,319 hours during a shorter evaluation period. Overall, the performance has significantly improved relative to the adequate performance at the prior evaluation and is excellent

given the resources of the bank. PB exceeded the number of service hours in the Los Angeles AA, by more than double the number of service hours when compared to three similarly-situated banks and had a greater participation of employees. PB nearly achieved the number of hours of the fourth similarly-situated bank, which has four times the total assets and more than three times the number of branches.

Below are notable examples of qualified CD services provided in the Los Angeles AA during the evaluation period.

- In 2020, 2021, and 2022, several employees provided free income tax preparation services to low-income individuals and families.
- A PB employee provided financial expertise in reviewing loan applications for an SBA micro-loan program.
- In 2020, 2021, and 2022, various employees taught financial education through a non-profit organization that provides services for LMI youth.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for the Riverside and San Francisco AAs. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, economic data, competition, a community contact, and demographic information. The limited-scope review conclusions did not alter the bank’s overall CRA performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Riverside	Below	Below	Below
San Francisco	Consistent	Consistent	Consistent

Facts and data supporting conclusions for the AAs follows, including a summary of the institution’s operations and activities, followed by geographic distribution and borrower profile tables by loan type. Demographic data and deposit market share information for the limited-scope areas are included in the Appendices of this Performance Evaluation.

Riverside Assessment Area

The Riverside AA consists of the counties of Riverside and San Bernardino, which are wholly contained in the Riverside-San Bernardino MSA #40140. This is a new AA since the previous evaluation. PB does not operate any branches in this AA.

Activity	#	\$(000s)
Small Business Loans	39	12,695
Home Mortgage Loans	82	89,184
Community Development Loans	10	68,677
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	2	10
CD Services	0	-

Source: Bank Data

San Francisco Assessment Area

The San Francisco AA consists of San Francisco, Alameda, Contra Costa, San Mateo, and Marin Counties, which are wholly contained in the San Francisco-Oakland-Hayward MSA #41860. The bank expanded this AA since the previous evaluation where it only included San Francisco County. PB operates two branches in this AA, one each in San Francisco and Richmond.

Activity	#	\$(000s)
Small Business Loans	86	23,785
Home Mortgage Loans	22	28,742
Community Development Loans	21	141,052
Investments (New)	1	5,000
Investments (Prior Period)	1	3,075
Donations	19	104
CD Services	443	-

Source: Bank Data

Geographic Distribution and Borrower Profile

Below are applicable geographic distribution and borrower profile tables for all limited-scope AAs within the rated area.

Geographic Distribution

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2020-21	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Over all Mar	% Business	% Bank	Aggregate	% Business	% Bank	Aggregate	% Business	% Bank	Aggregate	% Business	% Bank	Aggregate	% Business	% Bank	Aggregate	
Riverside	39	12,695	31.2	132,675	4.2	10.3	3.5	24.8	15.4	23.8	34.5	53.8	34.4	36.4	20.5	38.3	0.1	0.0	0.1	
San Francisco	86	23,785	68.8	179,810	11.4	31.4	10.4	17.2	11.6	18.0	29.1	19.8	31.0	41.5	37.2	40.0	0.8	0.0	0.6	
Total	125	36,480	100.0	312,485	8.6	24.8	7.4	20.2	12.8	20.5	31.2	30.4	32.5	39.5	32.0	39.3	0.5	0.0	0.4	

Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2020-21	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Over all Market	% of Owner - Occupied Housing Units	% Bank Loans	Aggregate	% of Owner - Occupied Housing Units	% Bank Loans	Aggregate	% of Owner - Occupied Housing Units	% Bank Loans	Aggregate	% of Owner - Occupied Housing Units	% Bank Loans	Aggregate	% of Owner - Occupied Housing Units	% Bank Loans	Aggregate	
Riverside	82	89,184	86.7	314,269	2.6	1.9	1.9	21.0	4.9	17.3	37.2	11.0	36.3	39.1	82.9	44.4	0.1	0.0	0.0	
San Francisco	22	28,742	31.8	306,686	4.6	14.3	4.5	16.9	7.1	16.1	34.5	36.4	33.8	43.9	50.0	45.3	0.1	0.0	0.3	
Total	104	117,927	100.0	620,955	3.6	2.9	3.2	18.9	4.8	16.7	35.8	16.3	35.1	41.6	76.0	44.9	0.1	0.0	0.2	

Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%

Borrower Profile

Small Business Loans

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2020-21
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Riverside	39	12,695	31.2	132,675	89.3	33.3	46.3	3.5	23.1	7.3	43.6	
San Francisco	86	23,785	68.8	179,810	88.7	31.4	47.6	4.3	22.1	7.0	46.5	
Total	125	36,480	100.0	312,485	88.9	32.0	47.1	4.0	22.4	7.1	45.6	

Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2020-21
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Riverside	82	89,184	86.7	314,269	23.0	--	3.1	16.8	3.3	9.5	18.9	8.5	20.0	41.3	87.8	45.0	0.0	3.8	22.4
San Francisco	22	28,742	31.8	306,686	24.4	--	5.2	16.0	--	13.0	18.1	14.3	19.3	41.5	45.5	51.3	0.0	45.5	11.2
Total	104	117,927	100.0	620,955	23.8	--	4.1	16.4	2.3	11.2	18.5	8.7	19.7	41.4	78.8	48.1	0.0	11.5	16.9

Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%

NEW YORK

CRA RATING FOR STATE OF NEW YORK: Outstanding

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: Outstanding

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW YORK

PB expanded its sole AA in New York twice since the prior evaluation from the “contiguous portions of Kings, Queens, and NY counties and all of Nassau County” to the “entire New York-Jersey City-White Plains MD #35614 consisting of Kings, Queens, New York, Bronx, Westchester, Richmond, Rockland, Putnam, Bergen, Hudson and Passaic Counties, and the entire Nassau County-Suffolk County MD #35004 consisting of Nassau and Suffolk Counties.”

Economic and Demographic Data

According to the 2015 ACS data, the New York AA contains 313 low-, 701 moderate-, 1,040 middle-, 946 upper-income, and 81 CTs with no income designation. The following table illustrates select demographic, housing, and business information within the New York AA.

Demographic Information of the Assessment Area New York Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3,081	10.2	22.7	33.8	30.7	2.6
Population by Geography	12,670,219	12.1	24.7	32.1	30.8	0.3
Housing Units by Geography	4,972,438	11.0	23.1	31.0	34.7	0.2
Owner-Occupied Units by Geography	2,043,765	2.3	13.7	39.6	44.3	0.1
Occupied Rental Units by Geography	2,479,021	18.7	30.8	24.2	26.1	0.3
Vacant Units by Geography	449,652	8.3	23.2	29.7	38.6	0.2
Businesses by Geography	1,675,334	6.7	18.5	29.5	43.7	1.6
Farms by Geography	15,777	3.3	17.9	36.8	41.4	0.6
Family Distribution by Income Level	2,909,090	11.7	23.3	33.3	31.6	0.1
Household Distribution by Income Level	4,522,786	22.4	30.8	27.4	19.3	0.1
Median Family Income FFIEC-Estimated Median Family Income for 2021		\$86,080 \$94,247	Median Housing Value Median Gross Rent Families Below Poverty Level			\$515,248 \$1,361 15.7%
<i>Source: 2015 ACS Data; 2021 D&B Data; FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA's 1,675,334 businesses reported gross annual revenues as follows:

- 91.4 percent reported \$1 million or less,
- 3.4 percent reported more than \$1 million, and
- 5.2 percent did not report revenues.

Examiners obtained the following economic information from Moody's Analytics as of November 2022.

New York-Jersey City-White Plains MD

Although New York's recovery has improved, it has not reached the same level of pre-pandemic conditions of tourism and permanent changes in working patterns with fewer employees working in Manhattan and traditional office locations. The area's job growth exceeded the national average with a current unemployment rate of 4.8 percent. The housing market has slowed, but a heavy reliance on condominiums has helped soften the broader single-family price correction. The area's strengths include serving as the financial capital of the world, a high per capita income, limited exposure to manufacturing, and strong international immigration. New York's weaknesses include high costs, rapidly aging infrastructure, and troubled fiscal health made worse by population losses. The top four employers are Montefiore Health System, Mount Sinai Health System, JP Morgan Chase, and Bank of America.

Nassau County-Suffolk County MD

Nassau County's economy has been slow to improve. Payrolls in 2022 have been volatile and recession risks remain elevated, due in part to a potential housing market correction. Longer term, out-migration is further influencing the housing market with a sharp drop in sales of homes in the high-end Hamptons market. The unemployment rate has fallen to 3.0 percent, now below pre-pandemic levels. The area's strengths include a robust healthcare sector, linkages with New York City that contribute to high per capita income, and a highly skilled workforce. Nassau's weaknesses include high costs for residents and firms due to tax burden and elevated house prices, lack of developable land, and poor demographics, including persistent out-migration and rapidly aging population. The top four employers in the area include Northwell Health, Henry Schein, Inc., Volt Information Sciences Inc., and JetBlue Airways.

Competition

The New York AA is extremely competitive for financial services. According to the June 30, 2022, FDIC Deposit Market Share Report, the New York AA had 136 financial institutions operating 3,158 branches with a total of \$2.6 trillion in deposits. A number of large national and regional financial institutions operate in the AA, including JP Morgan, Chase Bank, NA; Goldman Sachs Bank USA; Morgan Stanley Private Bank, NA; The Bank of New York Mellon; and Bank of America, NA. Collectively, these five financial institutions have a 64.2 percent deposit market share in the AA. PB maintains \$430.5 million in deposits in the AA, representing less than 0.2 percent of the total deposit market share, and ranks 91st among competing financial institutions.

Community Contacts

Examiners reviewed two community contacts with organizations that serve the New York AA. The contacts were an organization that provides affordable housing and small business lending support, and an economic development agency. The contacts identified small business and affordable housing credit as primary credit needs. The contacts indicated that demand for affordable housing units greatly exceeds supply and small businesses continue to experience challenges obtaining credit due to strict underwriting standards. The contacts stated there is a need for more flexible underwriting and additional capital. The contacts additionally indicated there is a need for additional grants as well as financial education assistance.

Credit and Community Development Needs and Opportunities

Based on economic information, local demographics, and community contacts, examiners determined that there is a need for small business credit in the New York AA, including programs with flexible loan underwriting technical assistance. Financing for affordable housing is also a significant credit need in the AA.

SCOPE OF EVALUATION – NEW YORK

The rating for the state of New York is based on a full-scope evaluation of the bank's performance in the New York AA. Refer to the institution-wide Scope of Evaluation section above for more information, including the types of activities examiners evaluated, the weight examiners placed on different loan types, and the sources of data examiners used.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK

LENDING TEST

PB's New York AA is rated "High Satisfactory," and reflects significant improvement from the previous evaluation where performance was rated "Needs to Improve." The bank's good lending activity, good borrower profile, adequate geographic distribution, and leadership in originating CD loans support this conclusion.

Lending Activity

PB's lending levels reflect good responsiveness to the credit needs of the New York AA. During the review period, PB originated or purchased 87 small business loans totaling \$15.8 million and 30 home mortgage loans totaling \$46.5 million within this AA. The bank's small business and home mortgage lending increased significantly compared to the previous evaluation where PB originated 13 small business loans totaling \$7.6 million and 13 home mortgage loans totaling \$27.5 million, with a conclusion of poor performance. The origination of SBA PPP loans represents approximately 39.0 percent of the bank's increase in small business lending.

There is a high level of competition for small business loans in the New York AA. In 2021, 411 lenders reported 627,935 small business loans. Of these institutions, PB ranked 140th with 32 loans and a market share of 0.01 percent. The top five lenders accounted for 64.6 percent of the market share by number of loans with all being large nationwide lenders.

There is also a high level of competition for home mortgage loans in the New York AA. In 2021, 512 lenders reported 302,904 home mortgage loans. Of these institutions, PB ranked 270th with 21 loans and a market share of 0.01 percent. The top five mortgage lenders in the AA accounted for 32.4 percent of the market share by number of loans.

Geographic Distribution

PB's geographic distribution reflects adequate penetration throughout the New York AA. This conclusion is supported by adequate small business and good home mortgage lending performance.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the AA. The following table shows the distribution of small business loans by CT income level.

Geographic Distribution of Small Business Loans						
Assessment Area: New York						
Tract Income Level	% of Businesses	Aggregate Performance	#	%	\$(000s)	%
Low						
2020	5.9	5.7	3	5.5	203	2.7
2021	6.4	6.1	1	3.1	112	1.4
Moderate						
2020	16.9	16.2	10	18.2	1,984	26.3
2021	17.9	17.7	12	37.5	3,225	39.1
Middle						
2020	28.2	28.4	16	29.1	1,639	21.7
2021	28.8	29.5	13	40.6	2,992	36.2
Upper						
2020	47.3	48.2	26	47.3	3,728	49.4
2021	45.6	45.3	6	18.8	1,927	23.3
Not Available						
2020	1.6	1.5	0	0.0	0	0.0
2021	1.4	1.4	0	0.0	0	0.0
Totals						
2020	100.0	100.0	55	100.0	7,554	100.0
2021	100.0	100.0	32	100.0	8,256	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; 2020 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

In 2020, PB's lending in low-income CTs nearly mirrors both aggregate data and business demographics. Lending performance in moderate-income CTs is about 2.0 percentage points greater than aggregate and business demographics. In 2021, the bank's lending in low-income geographies declined, with only one loan origination and is about 3.0 percentage points below aggregate data and business demographics. However, lending in moderate-income CTs increased by two loans and is approximately 20.0 percentage points greater than both aggregate data and the percentage of businesses. This reflects favorably on the bank's performance. PB's lending performance shows improvement from the previous evaluation where the bank had poor performance.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration. The following table shows the distribution of home mortgage loans by CT income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: New York						
Tract Income Level	% of Owner-Occupied	Aggregate Performance	#	%	\$(000s)	%
Low						
2020	2.3	2.5	0	0.0	0	0.0
2021	2.3	2.7	1	4.8	499	1.4
Moderate						
2020	13.7	12.7	5	55.6	4,443	43.7
2021	13.7	13.8	13	61.9	30,480	83.9
Middle						
2020	39.6	40.4	2	22.2	1,450	14.3
2021	39.6	39.0	1	4.8	1,450	4.0
Upper						
2020	44.3	44.2	2	22.2	4,280	42.1
2021	44.3	44.3	6	28.6	3,907	10.8
Not Available						
2020	0.1	0.1	0	0.0	0	0.0
2021	0.1	0.1	0	0.0	0	0.0
Totals						
2020	100.0	100.0	9	100.0	10,173	100.0
2021	100.0	100.0	21	100.0	36,336	100.0
<i>Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

While PB did not originate any loans in low-income CTs in 2020, and both aggregate performance and owner-occupied housing units are very low. Lending in moderate-income CTs in 2020 is excellent, exceeding aggregate by nearly 43.0 percentage points. Lending in low-income CTs in 2021 shows improvement and is 2.1 percentage points greater than aggregate lending. Lending in moderate-income CTs shows improvement by both number and percentage of loans and is 48.1 percentage points greater than aggregate data. PB's geographic distribution performance shows much improvement over the previous evaluation where the bank had poor performance.

Borrower Profile

PB's distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. This conclusion is supported by good small business and poor home mortgage lending performance.

Small Business Loans

The bank’s distribution of small business loans reflects good penetration among business customers of difference revenues sizes. The following table shows the penetration among business customers of difference sizes in the New York AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: New York						
Gross Revenue Level	% of Businesses	Aggregate Performance	#	%	\$(000s)	%
<=\$1,000,000						
2020	90.3	35.0	28	50.9	3,972	52.6
2021	91.3	37.6	17	53.1	6,286	76.1
>\$1,000,000						
2020	4.5	--	4	7.3	1,830	24.2
2021	3.5	--	3	9.4	377	4.6
Revenue Not Available						
2020	5.2	--	23	41.8	1,752	23.2
2021	5.2	--	12	37.5	1,593	19.3
Totals						
2020	100.0	100.0	55	100.0	7,554	100.0
2021	100.0	100.0	32	100.0	8,256	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

PB’s 2020 lending to small businesses is 15.9 percentage points greater than aggregate data. The bank’s 2021 lending to small businesses shows a 2.2 percentage point increase from 2020 lending performance and is 15.5 percentage points greater than aggregate. While the bank’s performance is below the percentage of businesses, it’s performance shows great improvement over the previous evaluation where the bank had poor performance. The high percentage of revenues not available is primarily attributable to SBA PPP loans. In 2020, all 23 loans with revenues not available were originated SBA PPP loans, of which 73.9 percent were for loan amounts less than \$100,000. In 2021, approximately 67.0 percent of the loans with revenues not available were originated SBA PPP loans. This reflects favorably on the bank’s small business lending performance and demonstrates the bank’s positive response to addressing the needs of small businesses during the pandemic.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among retail customers of different income levels. The following table shows the bank’s home mortgage lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: New York						
Borrower Income Level	% of Families	Aggregate Performance	#	%	\$(000s)	%
Low						
2020	27.7	2.4	0	0.0	0	0.0
2021	27.7	2.7	0	0.0	0	0.0
Moderate						
2020	16.1	11.3	1	11.1	280	2.8
2021	16.1	12.3	0	0.0	0	0.0
Middle						
2020	17.1	20.4	0	0.0	0	0.0
2021	17.1	21.4	0	0.0	0	0.0
Upper						
2020	39.1	51.7	1	11.1	293	2.9
2021	39.1	51.2	6	28.6	2,817	7.8
Not Available						
2020	0.0	14.3	7	77.8	9,600	94.4
2021	0.0	12.4	15	71.4	33,519	92.2
Totals						
2020	100.0	100.0	9	100.0	10,173	100.0
2021	100.0	100.0	21	100.0	36,336	100.0

*Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

As shown in the above table, PB did not originate any loans to low- and only one loan to a moderate-income borrower in 2020. Further, the bank did not originate any loans to LMI borrowers in 2021. Aggregate data shows a low percentage of home mortgage loans originated to low-income borrowers in both 2020 and 2021. Lending to moderate-income borrowers reflects a higher percentage. AA demographics shows a high percentage of low-income families in the AA. Nearly 14.0 percent of those families live below the poverty level. Such families may have significant difficulty in purchasing a home in the AA, due to the high cost of housing. The bank also has a high percentage of loans with unknown revenues. These loans were originated to corporations or trusts with no available revenue information. The bank's performance is similar to the poor penetration conclusion at the previous evaluation.

Community Development Loans

PB is a leader in originating CD loans in the AA. The following table shows the bank's CD loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	3	28,748	2	5,800	5	34,548
2021	5	15,178	0	0	3	10,300	1	4,100	9	29,578
2022	2	20,000	0	0	4	27,580	2	45,000	8	92,580
Total	7	35,178	0	0	10	66,628	5	54,900	22	156,706
<i>Source: Bank Data</i>										

CD lending increased from the previous evaluation where the bank made eight loans totaling \$43.5 million during a shorter evaluation period. On an annualized basis, the bank’s CD lending increased by 58.3 percentage points by number of loans and 86.7 percentage points by dollar volume. The following are notable examples of CD loans originated during the review period.

- In 2022, the bank participated \$30 million in a \$215 million dollar construction loan to finance the ground up construction of a New York City Housing Preservation and Development project that is revitalizing a low-income geography. The project consists of both housing and commercial space. Approximately 31.4 percent of the housing units are targeted to low-income seniors. The project is located on land that was previously home to a pharmaceutical plant that closed in 2008 and has been vacant ever since. This loan demonstrates the need to revitalize LMI areas in the city.
- In 2022, the bank originated an \$18.5 million dollar loan to refinance a newly constructed 135-room hotel in the AA. The hotel has brought many new permanent jobs to the community, many of which are hourly wage jobs targeted to LMI individuals. The business meets the SBA size standards and is considered a small business entity. This loan demonstrates the need to support economic development through the financing of small businesses.
- In 2021, the bank originated an \$8.0 million dollar loan to refinance a newly constructed 31-unit apartment building in a moderate-income geography where 10-units, representing 32.3 percent, are targeted for affordable housing. As a result, the bank received pro-rata credit of approximately \$2.6 million. This loan helps address AA affordable housing needs.
- In 2022, PB originated a \$9.7 million dollar commercial real estate loan to refinance a 48-unit apartment building consisting of 12-studio and 36 one-bedroom units. Of the 48-units, 39 have rents below fair market rent with 100 percent of the units protected under rent stabilization regulations set forth by New York City Housing Authority. The property is located in a moderate-income CT. This loan helps to support continued affordable housing in the AA.

INVESTMENT TEST

Investment test performance in New York is “Outstanding.”

Investment and Grant Activity

PB has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely purchased by private investors. The following table shows the bank’s qualified investments by year and purpose.

Qualified Investments New York Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	1	10,000	0	0	0	0	0	0	1	10,000
Subtotal	1	10,000	0	0	0	0	0	0	1	10,000
Qualified Grants & Donations	3	13	21	92	0	0	0	0	24	105
Total	4	10,013	21	92	0	0	0	0	25	10,105

Source: Bank Records

Overall, the bank’s qualified investment activity has increased significantly with the 2022 purchase of a \$10 million mortgage backed security supporting affordable housing. PB nearly doubled the number and dollar amount of grants from the prior review period. The four similarly-situated financial institutions have between 2 and 13 branches in New York. PB’s qualified investment and grant volume exceeds three of the four banks. In addition, PB nearly achieves the volume of qualified investments and donations at the similarly-situated bank with 11 branches in New York and rated “Outstanding” for the Investment Test. Given the institution’s resources and capabilities, and the fact that the bank only has one branch in the AA, the level of investment and grant activity is excellent. Examples of notable donations are below.

- In 2020, 2021 and 2022, PB provided combined donations of \$11,500 to the Flushing Council on Culture and the Arts, Inc., to assist the Council’s arts education and family programs by helping LMI students broaden their art experiences.
- In 2020, 2021, and 2022, PB provided combined donations of \$15,000 to Garden of Hope to support the three safe houses that serve at risk LMI women and children.
- In 2020, 2021, and 2022, PB provided combined donations of \$15,000 to Junior Achievement of New York used to support the financial literacy program for LMI youth.

Responsiveness to Credit and Community Development Needs

PB exhibits adequate responsiveness to credit and CD needs. The bank’s qualified donations helped support affordable housing, a primary need in the AA.

Community Development Initiatives

PB does not use innovative and/or complex investments to support CD initiatives in New York.

SERVICE TEST

The Service Test for New York is rated “Outstanding.”

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the New York AA. The New York AA performance is consistent with the bank’s overall performance. PB operates one full-service branch with an ATM within the AA. The branch, located in Flushing, New York, is in a moderate-income CT and serves as the sole location for the New York AA. In addition to the branch and ATM located in the AA, the bank also has alternative delivery systems available. The following table shows the distribution of CTs, population, and branches in the AA by income level.

Branch and ATM Distribution by Geography Income Level								
New York Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	313	10.2	1,529,399	12.1	0	0.0	0	0.0
Moderate	701	22.7	3,127,212	24.7	1	100.0	1	100.0
Middle	1,040	33.8	4,068,820	32.1	0	0.0	0	0.0
Upper	946	30.7	3,904,520	30.8	0	0.0	0	0.0
NA	81	2.6	40,268	0.3	0	0.0	0	0.0
Totals	3,081	100.0	12,670,219	100.0	1	100.0	0	100.0
<i>Source: 2015 ACS Census & Bank Data Due to rounding, totals may not equal 100.0</i>								

Changes in Branch Locations

No branches were opened or closed during the evaluation period in the AA; therefore, this criterion was not considered under the Service Test.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or LMI individuals. Refer to the institution-wide Service Test section for specific details.

Community Development Services

PB provides an excellent level of CD services; see the following table.

Community Development Services					
New York Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	20	0	0	20
2021	0	132	0	0	132
2022	0	171	0	0	171
Total	0	323	0	0	323

Source: Bank Data

During the evaluation period, 18 of 28 employees, representing a 64.2 percent participation rate, provided CD services to 5 organizations for a total of 323 hours. This represents a significant increase from the prior evaluation, where 5 employees provided CD services totaling 87 hours during a shorter evaluation period. Overall, the performance significantly improved from the adequate performance at the prior evaluation and is excellent, given the resources of the bank. PB greatly exceeded the number of service hours in the New York AA over three of four similarly-situated banks, with those banks all having more branches and employees within the AA. PB nearly achieved the number of hours of the fourth similarly-situated bank, a bank with 10 branches in the New York AA. Below are notable examples of qualified CD services provided in the New York AA during the evaluation period.

- In 2020, 2021, and 2022, several employees provided free income tax preparation services to low-income individuals and families.
- A PB employee provided financial expertise in reviewing loan applications for an SBA micro-loan program.
- In 2020, 2021, 2022, various employees taught financial education through a non-profit organization that provides services for LMI youth.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Preferred Bank	
Scope of Examination: Full scope reviews were performed on the following AAs within the noted rated areas: State of California: Los Angeles AA State of New York: New York AA	
Time Period Reviewed:	01/06/2020 to 09/30/2022
Products Reviewed: Home Mortgage Loans: 1/1/2020– 12/31/2021 Small Business Loans: 1/1/2020– 12/31/2021	

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
California	Low Satisfactory	Outstanding	Outstanding	Satisfactory
New York	High Satisfactory	Outstanding	Outstanding	Outstanding

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

CALIFORNIA

Riverside Assessment Area

The Riverside AA is in inland southern California and comprises the counties of Riverside and San Bernardino that are in the Riverside-San Bernardino-Ontario MSA #40140. This is a new AA since the previous evaluation. The area consists of 43 low-, 246 moderate-, 301 middle-, 226 upper-income census tracts, and 6 CTs with no income designation. The following table shows select demographic, housing, and business data for the AA.

Demographic Information of the Assessment Area						
Assessment Area: Riverside						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	822	5.2	29.9	36.6	27.5	0.7
Population by Geography	4,392,801	5.4	27.6	35.4	31.2	0.4
Housing Units by Geography	1,521,284	5.0	27.4	36.5	31.1	0.1
Owner-Occupied Units by Geography	819,653	2.6	21.0	37.2	39.1	0.1
Occupied Rental Units by Geography	493,904	9.1	37.8	33.8	19.2	0.0
Vacant Units by Geography	207,727	4.5	27.5	40.0	27.5	0.5
Businesses by Geography	323,761	4.2	24.8	34.5	36.4	0.1
Farms by Geography	6,567	3.7	24.1	37.6	34.4	0.1
Family Distribution by Income Level	979,189	23.0	16.8	18.9	41.3	0.0
Household Distribution by Income	1,313,557	24.6	15.9	17.4	42.2	0.0
Median Family Income MSA - 40140 Riverside-San Bernardino-Ontario, CA MSA		\$61,507	Median Housing Value			\$246,946
			Median Gross Rent			\$1,192
			Families Below Poverty Level			14.3%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The FFIEC publishes annual estimates of updated median family incomes by MSA. The following table shows FFIEC-estimates of median family incomes in the Riverside AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Riverside-San Bernardino-Ontario, CA MSA Median Family Income (40140)				
2020 (\$75,300)	<\$37,650	\$37,650 to <\$60,240	\$60,240 to <\$90,360	≥\$90,360
2021 (\$77,500)	<\$38,750	\$38,750 to <\$62,000	\$62,000 to <\$93,000	≥\$93,000
<i>Source: FFIEC</i>				

The Riverside AA is a competitive market that includes a number of large national and regional financial institutions. According to the June 30, 2022 Deposit Market Share Report, 42 financial institutions operate 485 branches in the AA. The top five institutions account for 63.9 percent of the branches and 74.9 percent of the deposits. Four of the top five are large nationwide institutions. PB has no deposit market share since they operate no branches in this AA.

The AA has a high level of competition for home mortgage loans. In 2021, 852 lenders reported 314,269 home mortgage loans. Of these institutions, PB ranked 339th, with 52 loans and a market share of 0.02 percent by number of loans. The top five home mortgage lenders account for approximately 28.1 percent of the market share by number of loans.

There is also a high level of competition for small business loans in the Riverside AA. In 2021, 221 lenders reported 133,697 small business loans. Of these institutions, PB ranked 104th with 14 loans and a market share of 0.01 percent. The top five small business lenders account for approximately 60.3 percent of the market share by number of loans.

San Francisco Assessment Area

The San Francisco AA is in northern California, and comprises the counties of San Francisco, Alameda, Contra Costa, San Mateo, and Marin, which are wholly contained in the San Francisco-Oakland-Hayward MSA #41860. The area consists of 116 low-, 208 moderate-, 300 middle-, 339 upper-income census tracts, and 17 CTs with no income designation. The following table shows select demographic, housing, and business data for the AA.

Demographic Information of the Assessment Area						
Assessment Area: San Francisco						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	980	11.8	21.2	30.6	34.6	1.7
Population by Geography	4,528,894	11.2	21.6	33.1	33.6	0.5
Housing Units by Geography	1,763,363	11.1	20.8	32.5	35.1	0.6
Owner-Occupied Units by Geography	890,161	4.6	16.9	34.5	43.9	0.1
Occupied Rental Units by Geography	770,060	17.9	25.1	30.5	25.4	1.0
Vacant Units by Geography	103,142	16.1	21.5	30.1	31.2	1.2
Businesses by Geography	493,756	11.4	17.2	29.1	41.5	0.8
Farms by Geography	6,981	8.2	17.9	33.1	40.6	0.2
Family Distribution by Income Level	1,046,725	24.4	16.0	18.1	41.5	0.0
Household Distribution by Income	1,660,221	26.3	14.7	16.1	42.9	0.0
Median Family Income MSA - 36084 Oakland-Berkeley-Livermore, CA		\$93,822	Median Housing Value			\$648,815
Median Family Income MSA - 41884 San Francisco-San Mateo-Redwood City, CA		\$103,742	Median Gross Rent			\$1,526
Median Family Income MSA - 42034 San Rafael, CA		\$121,130	Families Below Poverty Level			7.4%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The FFIEC publishes annual estimates of updated median family incomes by MSA. The following table shows FFIEC-estimates median family incomes in the San Francisco AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Oakland-Berkeley-Livermore, CA Median Family Income (36084)				
2020 (\$119,200)	<\$59,600	\$59,600 to <\$95,360	\$95,360 to <\$143,040	≥\$143,040
2021 (\$125,600)	<\$62,800	\$62,800 to <\$100,480	\$100,480 to <\$150,720	≥\$150,720
San Francisco-San Mateo-Redwood City, CA Median Family Income (41884)				
2020 (\$140,900)	<\$70,450	\$70,450 to <\$112,720	\$112,720 to <\$169,080	≥\$169,080
2021 (\$145,400)	<\$72,700	\$72,700 to <\$116,320	\$116,320 to <\$174,480	≥\$174,480
San Rafael, CA Median Family Income (42034)				
2020 (\$159,300)	<\$79,650	\$79,650 to <\$127,440	\$127,440 to <\$191,160	≥\$191,160
2021 (\$163,000)	<\$81,500	\$81,500 to <\$130,400	\$130,400 to <\$195,600	≥\$195,600
<i>Source: FFIEC</i>				

The San Francisco AA is a competitive market that includes a number of large national and regional financial institutions. According to the June 30, 2022 Deposit Market Share Report, 67 financial institutions operate 930 branches in the AA. The top five institutions account for 63.9 percent of the branches and 75.8 percent of the deposits. All top five are large nationwide institutions. PB ranks 43rd with two branches and a 0.05 percent deposit market share.

The AA has a high level of competition for home mortgage loans. In 2021, 789 lenders reported 306,686 home mortgage loans. Of these institutions, PB ranked 470th with 8 loans and a market share of 0.0 percent. The top five home mortgage lenders account for approximately 31.1 percent of the market share by number of loans.

There is also a strong level of competition for small business loans in the San Francisco AA. In 2021, 270 lenders reported 181,094 small business loans. Of these institutions, PB ranked 80th with 38 loans and a market share of 0.02 percent. The top five small business lenders account for approximately 65.5 percent of the market share by number of loans.

GLOSSARY

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.