



PUBLIC DISCLOSURE

October 31, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Presidential Bank, FSB
Charter Number: 708186

4520 E West Highway, Suite 415
Bethesda, MD 20814

Office of the Comptroller of the Currency
400 7th Street, S.W., Washington DC 20291

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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Overall CRA Rating: This institution is rated Outstanding

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The following major factors support the institution's rating:

- The average loan-to-deposit ratio is reasonable given the Bank's size, financial condition, and assessment area credit needs;
- A majority of the Bank's mortgage lending activity originated within its delineated assessment areas;
- The distribution of home mortgage loans represents excellent distribution among borrowers of different income levels;
- The geographic distribution of home mortgage loans reflects reasonable distribution among census tracts of different income levels;
- The Bank's community development activities demonstrate excellent responsiveness to community development needs in its assessment areas; and
- The Bank did not receive any CRA-related complaints during the evaluation period.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

Presidential Bank, FSB (PBFSB, Bank, or Institution) is a federally-chartered stock savings bank headquartered in Bethesda, Maryland (MD). The Bank is a wholly-owned subsidiary of Presidential Holdings, Inc., a unitary, non-diversified savings institution holding company.

In addition to its main office, PBFSB operates a network of nine branch offices; one in Washington, DC; two in Maryland; and six in Virginia. The branches have historically been concentrated in communities that are more affluent north and west of Washington, DC. Of the branch offices, one branch is located in a moderate-income census tract, one branch is located in middle-income census tract, and the remaining seven branches and the Bank's main office operate in upper-income census tracts. There are no branches in low-income tracts. All nine-branch offices have full service automated teller machines (ATM) onsite and are open standardized hours on Monday through Friday, from 9:00 AM to 4:00 PM. In June 2015, the Rockville, MD branch was relocated within the same middle-income census tract due to the landlord terminating the lease. The relocation of the branch resulted in no change in the census tract income level. In addition to these branches, the Bank operates 18 loan production offices (LPOs), of which 11 are located in Maryland, five in Virginia, one in New Jersey and one in Pennsylvania. Six of the Bank's 18 LPOs are located outside of the Bank's assessment areas (AAs).

The Bank's primary lending strategy is focused on real estate lending including loans to both homeowners and commercial entities. The origination of real estate loans to homeowners is primarily for the purpose of selling them in the secondary market with servicing rights released.

As of June 30, 2017, PBFSB reported total assets of \$567 million and Tier 1 Capital of \$59.4 million. As of the same date, PBFSB's balance sheet includes \$416.3 million in total loans consisting of 50.54 percent residential real estate mortgages, 37.59 percent commercial real estate mortgages, 4.80 percent commercial & industrial loans, 5.32 percent home equity lines of credit, and 1.73 percent consumer loans. The Bank is normally funded with core deposits, with periodic use of borrowings to support seasonal spikes in mortgage banking loans held for sale. Deposits sourced from the Bank's market area total \$496.4 million.

Deposits are attracted from within the retail branch network and through internet banking. The Bank offers online account opening and online mortgage applications, text banking, free mobile banking, and mobile deposit through several smartphone platforms. Lending products include conventional, Federal Housing Administration (FHA) and Veterans Administration (VA) fixed- and adjustable-rate first and second mortgages, as well as multifamily residential and commercial real estate and commercial and industrial loans, which include equipment loans and leases and a small number of syndicated loan purchases and consumer loans. Consumer deposit products include checking accounts, savings accounts, money market accounts, certificates of

deposit, individual retirement accounts, and ATM and debit cards. Services for businesses include commercial checking, commercial savings, commercial money market accounts, certificates of deposit, cash management, and remote deposit capture. The Bank's website www.presidential.com, provides additional information on its services.

There are no financial or legal impediments to hinder PBFSB's ability to help meet the credit needs of the communities it services. PBFSB received an "Outstanding" rating during its last Intermediate Small Bank CRA evaluation dated March 31, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

PBFSB was evaluated under the Intermediate Small Bank (ISB) examination procedures. These procedures evaluate the Bank's performance based upon a Lending Test and a Community Development (CD) Test. The Lending Test considers the Institution's performance pursuant to the following criteria: Loan-to-Deposit (LTD) Ratio Analysis; Assessment Area (AA) Concentration; Geographic Distribution; Borrower Profile; and Response to Community Reinvestment Act (CRA) Complaints. The CD Test evaluates the Bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

Our assessment of the Bank's performance covered the time period from March 31, 2014, through October 31, 2017, which represents the evaluation period. Our assessment of the performance under the Lending Test is based on the loan originations and loan purchases of the Bank's primary loan product, home mortgage loans, during the period. This evaluation considers reportable mortgage loans pursuant to the Home Mortgage Disclosure Act of 1975 (HMDA) for the calendar years 2015 and 2016. The evaluation period for the CD Test is March 31, 2014, the date of the last CRA evaluation, through October 31, 2017. The analysis took into consideration the economic, financial, and environmental factors that impact the Bank's CRA performance. Demographic information was extracted from the 2010 Census data, and peer data was taken from 2016 aggregate HMDA information (the most recent year available) for HMDA reporting financial institutions that reported lending activity within the AAs.

Refer to the table in Appendix A for more information on the scope of review.

Data Integrity

As part of our ongoing supervision of the Bank, we tested the accuracy of the Bank's HMDA data. We also reviewed the appropriateness of CD activities provided for consideration of our evaluation. This included testing of CD loans, investments, and services for accuracy and to determine if they qualify as CD as defined in the CRA

regulation. Our testing indicated that PBFBSB's home mortgage loans and CD activity could be relied upon for this evaluation.

Selection of Areas for Full-Scope Review

PBFBSB's assessment area includes areas within two contiguous Metropolitan Statistical Areas (MSAs): Washington-Arlington-Alexandria, DC-VA-MD-WV MSA 47900 and Baltimore-Towson, MD MSA 12580, which is part of the Consolidated Statistical Area (CSA) 548 (Washington-Baltimore-Arlington, DC-MD-VA-WV-PA). The MSA 47900 is further broken down into two Metropolitan Divisions (MDs): MD 47894 (Washington-Arlington-Alexandria, DC-VA-MD-WV), and MD 43524 (Silver Spring-Frederick-Rockville, MD). For the purpose of this evaluation, both MDs are combined as one area, which will be referred to as the Washington-Arlington-Alexandria, DC-VA-MD MSA AA. The Baltimore-Towson, MSA 12580 is evaluated separately and will be referred to as the Baltimore-Towson MSA AA. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. Our review included a full-scope review of the Bank's lending in both assessment areas.

Please refer to the table in Appendix B that provides demographic data for the AAs.

Ratings

The Bank's overall rating is based on full-scope reviews; none of the AAs received a limited-scope review. However, more weight was placed on the Washington-Arlington Alexandria, DC-VA-MD MSA AA because all of the Bank's branches and deposits are in this AA, and a majority of the Bank's lending originated in this AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

PBFSB's performance under the lending test is Satisfactory. The LTD ratio is reasonable. A majority of home mortgage loans were originated inside the Bank's combined AA. The record of lending to borrowers of different incomes reflects excellent distribution in Washington-Arlington-Alexandria, DC-VA-MD MSA AA, and reasonable in the Baltimore-Towson MSA AA, given the performance context. The geographic distribution of home loans is reasonable in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA and weak in the Baltimore-Towson MSA AA. We placed more weight on performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA, because all of the Bank's branches and deposits are in this AA, and a majority of the Bank's lending originated in this AA. All lending test criteria are listed below:

Loan-to-Deposit Ratio

PBFSB's quarterly average net LTD ratio is reasonable and meets the standards for satisfactory performance. The Bank's quarterly average LTD ratio over the fifteen-quarter review period was 80.22 percent. During this fifteen-quarter period, this ratio ranged from a quarterly low of 54 percent to a quarterly high of 94.78 percent. However, loans sold are not reflected on the balance sheet and, consequently, not included in the net LTD ratio. In 2015, the Bank sold 4117 of its 4486 originated home mortgage loans, totaling approximately \$1.3 billion in the secondary market. In 2016, the Bank sold 4364 of its 4680 originated home mortgage loans, totaling approximately \$1.4 billion, in the secondary market. The quarterly average net LTD ratio for a peer group of five similarly situated institutions with assets ranging from \$994.4 million to \$203.0 million and located in the same MSA was 98.02 percent over the same period. The peer group's ratio ranged from a quarterly low of 91.35 percent to a quarterly high of 103.85 percent during that time period.

Lending in Assessment Area

PBFSB made a majority of home mortgage loans, by number and dollar volume, within its delineated AAs, and meets the standard for satisfactory performance. PBFSB originated 50.50 percent of the number of loans and 58.29 percent of the dollar volume within its delineated AAs during the evaluation period. This ratio is a Bank-wide calculation, and is not calculated by individual AA. Analysis is limited to Bank only originations and purchases. Refer to the following table for more information:

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside(000)		Total \$(000)
	#	%	#	%		\$(000)	%	\$	%	
HMDA-Reportable	4,705	50.50	4,611	49.50	9,316	1,617,614	58.29	1,157,584	41.71	2,775,198

Source: PBFBSB's HMDA – reported data from 01/01/15 – 12/31/16.

Lending to Borrowers of Different Incomes

Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA

The distribution of loans reflects excellent distribution among individuals of different income levels, and PBFBSB's record of lending to borrowers of different incomes in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA exceeds the standard for satisfactory performance.

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income (LMI) family to purchase a home. Based on the 2010 U.S. Census data, the median cost of housing was \$446,473. The 2016 Federal Financial Institutions Examination Council (FFIEC) updated median family income is \$107,389, which means a low-income family earned less than \$53,695. Additionally, moderate-income families earned at least \$53,695, but less than \$85,911. Therefore, low- and moderate-income borrowers would have difficulty qualifying for home mortgage loans. Furthermore, 6.90 percent of households in the AA are below the poverty level.

The Bank's percentage of mortgage loans granted to low-income borrowers exceeded the level of lending to low-income borrowers by other HMDA-reporting lenders but it was significantly below the percentage of low-income families residing within the AA. The percentage of the lending to moderate-income borrowers was higher than both the assessment area demographics and the average of all HMDA-reporting lenders. Overall, PBFBSB's lending to low- and moderate-income borrowers represented 30.95 percent of AA lending, which is higher than the peer lending benchmark of 25.59 percent and somewhat below the demographic benchmark of 38.01 percent.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016. This is compared to the percentage of families in each income category as well as the aggregate peer performance in 2016, the most recent year for which data is available:

Table 2A - PBFBSB HMDA-Reportable Loans By Borrower Income Level in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar \$(000)	\$ Percent	Percent Families	2016 Aggr. HMDA
Low = <50%	304	9.26	53,717	4.65	20.99	7.33
Moderate = 50-79%	712	21.69	184,235	15.94	17.02	18.26
Middle = 80-119%	954	29.06	324,889	28.12	20.79	24.37
Upper = > 120%	1,313	39.99	592,664	51.29	41.19	50.03
Total	3,283¹	100.00	1,155,505	100.00	100.00*	100.00*

Source: PBFBSB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data;
 *Percentages may not add to 100 percent due to rounding.

Performance in the Baltimore-Towson MSA AA

The distribution of loans reflects reasonable distribution among individuals of different income levels, and PBFBSB's record of lending to borrowers of different incomes in the Baltimore-Towson MSA AA meets the standard for satisfactory performance.

Our analysis took into consideration the limited opportunities to lend to low-income families given the cost of housing compared to low median family income and the level of households below the poverty level. We also considered the significant market competition from local lenders, large national banks, and mortgage companies. Based on the 2010 U.S. Census data, the median cost of housing was \$291,302. The 2016 FFIEC updated median family income is \$86,700, which means a low-income family earned less than \$43,350. Additionally, moderate-income families earned at least \$43,350, but less than \$69,360. Therefore, low- and moderate-income borrowers would have difficulty qualifying for home mortgage loans. Furthermore, 10 percent of households in the AA are below the poverty level.

The Bank's percentage of mortgage loans granted to low-income borrowers was slightly below the level of lending to low-income borrowers by other HMDA-reporting lenders, and was significantly below the percentage of low-income families residing within the AA. The percentage of lending to moderate-income borrowers approximated the assessment area demographics and was slightly lower than the average of all HMDA-reporting lenders. Overall, PBFBSB's lending to low- and moderate-income borrowers represented 24.19 percent of AA lending, which is slightly lower than the peer lending benchmark of 26.60 percent and significantly below the demographic benchmark of 40.52 percent.

The table below shows the distribution of HMDA loans in the AA among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016. This is compared to the percentage of families in each income category as well as the aggregate peer performance in 2016, the most recent year for which data is available:

¹ Excludes 225 loans where no income was reported.

Table 2B - PBFBSB HMDA-Reportable Loans By Borrower Income Level in the Baltimore-Towson MSA AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar \$(000)	\$ Percent	Percent Families	2016 Aggr. HMDA
Low = <50%	70	6.54	10,968	3.34	22.83	7.72
Moderate = 50-79%	189	17.65	41,775	12.73	17.69	18.88
Middle = 80-119%	254	23.72	72,109	21.98	20.28	22.84
Upper = > 120%	558	52.10	203,236	61.95	39.20	50.56
Total	1,071²	100.00*	328,088	100.00	100.00	100.00

Source: PBFBSB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data

* Percentages may not add to 100 percent due to rounding.

Geographic Distribution of Loans

Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA

The Bank's geographic distribution of loans in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA is reasonable and thereby drives the overall performance conclusion. There were no conspicuous gaps identified within the AA.

The Bank's percentage of home mortgage loans made in low-income geographies was slightly below the percentage of lending by other HMDA-reporting lenders, and was near the percentage of owner-occupied housing units (OOHUs) in the AA. The percentage of home mortgage loans made in moderate-income geographies was near the percentage of peer aggregate lending in moderate-income geographies and was slightly lower than the percentage of OOHUs in moderate-income geographies. Overall, PBFBSB's lending within low- and moderate-income census tracts represented 21.12 percent of assessment area lending, which is in line with the peer lending benchmark of 21.42 percent and slightly below the demographic benchmark of 22.92 percent.

The table below illustrates loan originations, categorized by geography income level that were reported by PBFBSB during the review period, and compares this activity to the 2016 aggregate peer performance. The table also includes a comparison to the percentage of OOHUs within the AA:

Table 3A - PBFBSB HMDA-Reportable Loans By Census Tract Income Level in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent O.O.H.U. ³	2016 Aggr. HMDA
Low = <50%	140	3.99	33,300	2.68	4.05	4.28
Moderate = 50-79%	601	17.13	157,555	12.70	18.87	17.14
Middle = 80-119%	1,525	43.47	495,045	39.91	37.17	32.95
Upper = > 120%	1,242	35.40	554,552	44.71	39.91	45.63
Total	3,508	100.00*	1,240,452	100.00*	100.00	100.00

Source: PBFBSB's HMDA data 1/1/2015 - 12/31/2016; 2010 U.S. Census data

² Excludes 126 loans where no income was reported.

³ Owner Occupied Housing Units. The numbers in this column represent the ratio of owner occupied housing units to the total number of owner occupied housing units in the assessment area. Based on 2010 U.S. Census.

* Percentages may not add to 100 percent due to rounding.

Performance in the Baltimore-Towson MSA AA

PBFSB's geographic distribution of loans reflects weak distribution in the Baltimore-Towson MSA AA, and does not meet the standards for satisfactory performance. The lack of branch presence in the AA constrains lending in those areas. The Bank's percentage of home mortgage loans in low-income geographies was below the AA demographics and approximated the lending performance by other HMDA-reporting lenders within the AA. The percentage of home mortgage loans in moderate-income geographies was significantly lower than the percentage of OOHUs in these geographies, as well as the aggregate lending data percentages.

The table below illustrates loan originations, categorized by geography income level that were reported by PBFSB during the review period, and compares this activity to the 2016 aggregate peer performance. The table also includes a comparison to the percentage of OOHUs within the AA:

Table 3B - PBFSB HMDA-Reportable Loans By Census Tract Income Level in the Baltimore-Towson MSA AA					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	Percent O.O.H.U. ⁴	2016 Aggr. HMDA
Low = <50%	50	4.18	9,854	2.61	6.95	4.34
Moderate = 50-79%	73	6.10	15,737	4.17	19.01	14.51
Middle = 80-119%	403	33.67	109,767	29.10	35.59	34.12
Upper = > 120%	671	56.06	241,804	64.11	38.45	47.03
Total	1,197	100.00	377,162	100.00	100.00	100.00

Source: PBFSB's HMDA data 1/1/2015- 12/31/2016; 2010 U.S. Census data

Responses to Complaints

PBFSB has not received any complaints about its performance in helping to meet AAs credit needs during this evaluation period.

COMMUNITY DEVELOPMENT TEST

PBFSB's performance under the CD test is rated Outstanding.

PBFSB's CD activities, as a whole, demonstrate outstanding responsiveness to the CD needs of its AAs, through the use of CD loans, qualified investments, and CD services, considering the Bank's capacity, performance context, and the need and availability of such opportunities in the AAs. A significant level of qualified loans, investments and services benefitted all portions of the AAs and exhibited excellent responsiveness to

⁴ Owner Occupied Housing Units. The numbers in this column represent the ratio of owner occupied housing units to the total number of owner occupied housing units in the assessment area. Based on 2010 U.S. Census.

community credit needs, particularly the need for affordable housing targeted to low- and moderate-income families and individuals.

Number and Amount of Community Development Loans

Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA

Considering the needs and opportunities in the AA, and PBFBSB's performance context and capacity, the Bank's CD lending activity reflects adequate responsiveness in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA. During the evaluation period, the Bank originated six CD loans totaling \$5.7 million for the rehabilitation or construction of single and multi-family housing located in low- and moderate-income census tracts in the AA. Community contacts identified affordable housing as a primary community need for LMI individuals, making these loans particularly responsive to the AA needs. All of these loans support affordable housing for low- and moderate-income people in the AA.

Performance in the Baltimore-Towson MSA AA

PBFBSB's originated an excellent level of community development loans in the Baltimore- Towson MSA AA. During the evaluation period, PBFBSB extended 22 CD loans totaling approximately \$16.4 million. A vast majority of the CD loans made by the Bank provided financing for organizations that provide affordable housing targeted towards low- and moderate-income individuals.

Number and Amount of Qualified Investments

PBFBSB has provided an excellent level of qualified investments throughout its AAs. Since the prior evaluation, PBFBSB made two new investments and one investment remains on the books from prior periods.

Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA

During the review period, the Bank purchased two FNMA mortgage-backed securities with an aggregate book value of \$4.3 million. These securities are collateralized by 16 conventional mortgage loans to low- and moderate-income borrowers in the Bank's AA. In addition, the Bank continues to hold one GNMA mortgage-backed security currently valued at approximately \$2.4 million. All of the participants are low- and moderate-income borrowers residing within the Washington-Arlington-Alexandria, DC-VA-MD MSA AA. This is a relatively high percentage given the difficulty low-income individuals encounter when pursuing housing in this relatively high-cost assessment area.

Performance in the Baltimore-Towson MSA AA

The Bank did not provide any qualifying CD investments within the Baltimore-Towson MSA AA during the evaluation period; however, consideration of the Bank's

performance context within the Baltimore-Towson MSA mitigates concerns. The Bank's lack of CD investment within the Baltimore-Towson MSA is reasonably explained by the concentration of its branch locations and deposit base within the Washington-Arlington-Alexandria, DC-VA-MD MSA AA.

Extent to Which the Bank Provides Community Development Services

Performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA

PBFSB's performance in providing CD services is excellent in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA. CD services focused on affordable housing and community services targeted to LMI individuals and families. The following are examples of the community development services provided by the Bank:

- The Bank's Senior Vice President continues to work closely with Rockville Housing Enterprise (RHE), the public housing authority in Rockville, MD. Acting as a member of the board of directors, the SVP spends approximately 10 to 12 hours a month offering financial and managerial expertise; including participating in a monthly board meeting. The organization owns and manages 105 public housing units and administers over 400 housing choice vouchers, also known as Section 8, for rental units housing low-moderate income residents. Funding for both of these programs is from the US department of Housing and Urban Development ("HUD"). In addition to the HUD funded programs, RHE and its subsidiaries owns and manages 59 Low-Income Housing Tax Credit housing units, 4 townhouse units, and a 236-unit apartment complex.
- During the evaluation period, Executive Vice President of the Bank's Mortgage Division served as a member of the Federal Home Loan Bank of Atlanta (FHLBA) Mortgage Advisory Roundtable. FHLBA offers competitively-priced financing, community development grants, and other banking services to help member financial institutions make affordable home mortgages and provide economic development credit to neighborhoods and communities.
- The Virginia Housing Development Authority (VHDA) recognized Presidential Bank's continuing commitment to promoting affordable housing by recognizing PBFSB loan officers as VHDA Top Producing Loan Officers for VHDA Fiscal Years 2014, 2015, 2016 and 2017. Three mortgage loan officers are Qualified Trainer for VHDA's Homeownership Education Program. The VHDA is a public mortgage lender that serves the housing needs of low- and moderate-income individuals throughout the Commonwealth of Virginia.
- An Assistant Vice President is a member of the VHDA Advisory Board and provides managerial guidance and expertise to VHDA at the quarterly Board meeting and also participates in other conference calls throughout the year.

- During 2016, two mortgage loan officers participated in the Northern Virginia Housing Expo hosted by Affordable Housing Opportunity Means Everyone (AHOME), a nonprofit organization, in cooperation with Virginia Housing Development Authority (VHDA) and the counties of Fairfax, Arlington, Prince William and Loudoun, the cities of Alexandria, Fairfax and Falls Church, and the town of Herndon.

Additionally, the Bank provided technical assistance on financial matters to nonprofit and government organizations serving the needs of low- and moderate-income individuals, areas, and geographies. Presidential offers a variety of special credit programs that are designed to help meet the credit needs of low- and moderate-income borrowers in its community. Many of these loan programs are available through partnerships with local and state government agencies. Examples of notable loan programs in which the Bank participates in are summarized below:

FHLBA Affordable Housing Grant programs

PBFSB participated in the Federal Home Loan Bank of Atlanta (FHLB) affordable housing program, which provides down payment and closing cost assistance to homebuyers at or below 80 percent of the area median family income. During the review period, PBFSB originated 486 HMDA-reportable loans to first-time homebuyers who received \$2.9 million in FHLB down payment assistance.

VHDA Loan Programs and Closing Cost Assistance

The VHDA is a self-supporting, independent agency of the Commonwealth of Virginia that serves as a public mortgage lending institution. VHDA is mandated to enhance the availability and affordability of housing for low- and moderate-income households. During the review period, PBFSB processed 384 HMDA-reportable loans totaling \$61.4 million under this program. In addition, PBFSB originated 101 second lien loans totaling \$653,161 to the borrowers through this program.

United States Department of Agriculture (USDA) Rural Development Single Family Housing Guaranteed Loan Program

During the evaluation period, PBFSB participated in the USDA Rural Development Agency guaranteed loan program, which addresses the needs of low- and moderate-income individuals or households living in rural areas, earning between 50 and 115 percent of area median income adjusted by family size. The program offers fixed interest rates, and 100 percent financing with no down payment requirement. During the evaluation period, PBFSB originated 320 loans totaling \$66.8 million under this program.

Frederick City Sold on Frederick II Program

The Frederick City Sold on Frederick II Program is designed for individuals with low-to-moderate incomes to assist them with the purchase of their primary homes located within the City of Frederick. The Program offers a zero percent, no interest loan of \$8,000 to qualified low-and moderate-income first time homebuyers. To qualify, applicants cannot exceed the maximum income limits, is a first time buyer, be credit eligible to able to secure a first mortgage, complete homebuyer education and have \$1,000 of their own funds to contribute. During the evaluation period, PBFBSB originated 14 loans, resulting in \$130,000 in grants to the borrowers through this program.

In addition, during the evaluation period, the Bank participated in various affordable housing programs through the Maryland Department of Housing and Community Development, which are targeted to low- and moderate-income individuals and families. The Bank was unable to provide the total number of loans originated under these programs. The applicants apply directly with the county and the county makes the credit decision for each loan.

Performance in the Baltimore-Towson MSA AA

The Bank did not provide any CD services directly to the Baltimore-Towson MSA AA during the evaluation period. PBFBSB does not have any banking offices in this AA and the lack of any CD services hours for this AA does not diminish the Bank's responsiveness to this AA, given the Bank's excellent performance in the Washington-Arlington-Alexandria, DC-VA-MD MSA AA.

Responsiveness to Community Development Needs

PBFBSB's CD performance demonstrates an excellent level of responsiveness to CD needs within its combined AAs. As mentioned by the community contacts there is a need for affordable housing throughout the AAs. PBFBSB has adequately responded to this need by the level of affordable housing loans, investments, and CD services, which promote affordable housing efforts.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered.

Time Period Reviewed	Lending Test: (01/01/2015 to 12/31/2016) Investment and Service Tests and CD Loans: (3/31/2014 to 10/31/2017)	
Financial Institution	Products Reviewed	
Presidential Bank, FSB (PBFSB) Bethesda, Maryland	Residential Mortgage Loans Community Development Loans, Investments, and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None Reviewed		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
1) Washington-Arlington-Alexandria, DC-VA-MD MSA 47900	Full-Scope	Portion of the Washington-Arlington-Alexandria, DC-VA-MD (MD 47894) comprised of: <ul style="list-style-type: none"> ➤ <i>Washington, District of Columbia;</i> ➤ <i>Prince George's County, Maryland;</i> ➤ <i>Arlington, Fairfax, Loudoun, and Prince William counties, Virginia;</i> ➤ <i>Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park cities, Virginia.</i> Portion of the Silver Spring-Frederick-Rockville, Maryland (MD 43524) comprised of : <ul style="list-style-type: none"> ➤ <i>Frederick and Montgomery counties, Maryland.</i>
2) Baltimore-Towson, MD MSA 12580	Full-Scope	Portion of the Baltimore- Towson MD MSA 12580 comprised of: <ul style="list-style-type: none"> ➤ <i>Baltimore City, and Anne Arundel, Baltimore, and Howard counties, Maryland.</i>

Appendix B: Community Profiles for Full-Scope Areas

Washington-Arlington-Alexandria, DC-VA-MD MSA AA

Demographic Information for Full-Scope Area: Washington-Arlington-Alexandria, DC-VA-MD MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,193	9.89	24.39	32.44	32.44	0.84
Population by Geography	4,900,928	9.06	23.79	33.52	33.48	0.16
Owner-Occupied Housing by Geography	1,152,116	4.05	18.87	37.17	39.91	0.00
Business by Geography	398,318	4.75	19.28	32.65	42.98	0.34
Farms by Geography	6,152	3.33	17.72	39.03	39.89	0.03
Family Distribution by Income Level	1,135,743	20.99	17.02	20.79	41.19	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	431,773	16.55	35.12	32.58	15.74	0.00
Median Family Income	= \$111,048					
HUD Adjusted Median Family Income for 2016	= \$107,389					
Households Below the Poverty Level	= 6.90%					
			Median Housing Value	= \$446,473		
			Unemployment Rate	= 3.6%		

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, and 2016 HUD updated MFI.

PBFSB's primary AA is comprised of two MDs: MD 47894 (Washington-Arlington-Alexandria, DC-VA-MD-WV), and MD 43524 (Silver Spring-Frederick-Rockville, MD). Both are part of the greater Washington-Arlington-Alexandria DC-VA-MD-WV (MSA 47900). MD 47894 includes the Virginia counties of Arlington, Fairfax, Loudoun, and Prince William located in northeast Virginia, Prince George's County in Maryland, and independent cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park and the District of Columbia. MD 43524 includes the counties of Frederick and Montgomery located in central Maryland. Principal cities within the counties are Frederick, Rockville, and Silver Spring. All of the Bank's branches are located in this AA. The AA consists of contiguous geographies, and does not arbitrarily exclude low- or moderate-income geographies.

The AA consists of 1,193 census tracts, of which there are 118 low-income census tracts, 291 moderate-income census tracts, 387 middle-income census tracts, 387 upper-income census tracts, and 10 have not been assigned an income classification.

The 2010 U.S. Census reported the total population of the AA at 4,900,928. Within the AA, there are 1,782,630 households and 1,135,743 families. There are 1,927,281 housing units, of which, 59.78 percent are owner-occupied, 32.72 percent are rental-occupied, and 7.51 percent are vacant housing units. Approximately 4.05 percent of owner-occupied housing is located in low-income geographies, 18.87 percent in

moderate-income geographies, 37.17 percent in middle-income geographies, and 39.91 percent in upper-income geographies. The median housing cost is \$446,473.

The 2010 median family income for this AA was \$111,048, and the 2016 FFIEC updated median family income is \$107,389. Approximately 20.99 percent of families are low-income, 17.02 percent are moderate-income, 20.79 percent are middle-income, and 41.19 percent are upper-income. Additionally, 17.76 percent of households received social security, 17.60 percent were retired, and 6.90 percent of households were below the poverty level.

Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. Based upon the most recent 2016 Peer Mortgage Data, there were 782 lending institutions within the MSA competing for mortgage applications. PBFBSB ranks 36 with a market share of 0.75 percent. The top five lenders are: Wells Fargo Bank, NA, SunTrust Mortgage, Inc., Quicken Loans, PennyMac Loan Services LLC, and George Mason Mortgage LLC.

Based on the June 30, 2017 FDIC Summary of Deposit Market Share report, PBFBSB's deposit market share within the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA was 0.21 percent, ranking PBFBSB 31 out of 81 institutions in the MSA. The Bank's primary competitors are: E*TRADE Bank (1 office, 16.76 percent market share), Bank of America, NA (153 offices, 13.27 percent market share), Wells Fargo Bank, NA (163 offices, 13.14 percent market share), Capital One, NA (136 offices, 11.51 market share, and SunTrust Bank (156 offices, 8.15 percent market share).

According to the Bureau of Labor Statistics, the September 30, 2017 the preliminary unemployment rate for Silver Spring-Frederick-Rockville, MD Metropolitan Division was 2.9 percent. As of the same date, the preliminary unemployment rate for Washington-Arlington-Alexandria, DC-VA-MD-WV was 3.6 percent.

Data compiled by Moody's Analytics indicates that Washington-Arlington-Alexandria is back on a favorable track after a federal government-hiring freeze dented the economy earlier in the year. The federal government and professional/business services firms dependent on federal contracts felt the impact most acutely, but the freeze dented hiring in most private industries. When the freeze was lifted in April, private job growth resumed with gusto, greatly exceeding that in the Northeast and U.S. over the last three months. Almost half of the 42,000 net new jobs in 2017 are in education/healthcare. More mid and high-wage jobs in logistics and office industries are also contributing to moderate growth in average hourly earnings. A drop-off in housing starts this year is concentrated entirely in multifamily building; single-family starts are steady, and annual price growth is below average.

The Moody's report indicates that WAS's solid economic prospects may entice Amazon to locate its new headquarters in the metro division. WAS's universities churn out large numbers of high-skilled workers that feed a sizable and growing tech sector. Also, Dulles International Airport fosters integration with the global economy and while

business and living costs are relatively high, they are competitive with those in other metro areas being considered such as Boston, Toronto and New York. Bagging Amazon’s second headquarters would help WAS diversify its economy and lift incomes and employment. It could also catalyze increased infrastructure spending, which is sorely needed.

There are ample opportunities available for banks to address CD and credit needs in the area. The area is served by several CDFIs, CD entities, and nonprofit entities. Information from a recent interagency CRA listening session of community development organizations was reviewed to develop an understanding of assessment area needs. Some of the most critical community needs identified were:

- loans for affordable housing;
- programing improvements for housing programs;
- support for small and minority-owned business development; and
- access to reliable cell service in order to utilize mobile banking.

Baltimore-Towson MSA AA 12580

Demographic Information for Full-Scope Area: Baltimore-Towson MSA 12580 AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	573	17.28	23.73	30.19	27.40	1.40
Population by Geography	2,250,731	12.67	22.88	32.23	31.61	0.61
Owner-Occupied Housing by Geography	555,050	6.95	19.01	35.59	38.45	0.01
Business by Geography	149,034	8.14	14.96	35.10	41.52	0.29
Farms by Geography	2,570	2.76	8.56	31.28	57.35	0.04
Family Distribution by Income Level	543,120	22.83	17.69	20.28	39.20	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	220,060	22.02	31.72	30.14	16.11	0.00
Median Family Income		= \$85,985				
HUD Adjusted Median Family Income for 2016		= \$86,700	Median Housing Value		= \$291,302	
Households Below the Poverty Level		= 10.00%	Unemployment Rate		= 3.7%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated MFI

The Baltimore-Towson MSA AA consists of Baltimore City and Anne Arundel, Baltimore and Howard counties. The AA consists of contiguous geographies, and low- or moderate-income areas are not arbitrarily excluded. PBFBSB has no branches or ATM facilities, but it has three LPOs located in this AA.

The AA consists of 573 census tracts, of which there are 99 low-income census tracts, 136 moderate-income census tracts, 173 middle-income census tracts, 157 upper-

income census tracts, and eight have not been assigned an income classification. The 2010 U.S. Census reported the total population of the AA at 2,250,731. Within the AA, there are 852,204 households and 543,120 families. There are 946,343 housing units, of which, 58.65 percent are owner-occupied, 31.40 percent are rental-occupied, and 9.95 percent are vacant housing units. Approximately 6.95 percent of owner-occupied housing is located in low-income geographies, 19.01 percent in moderate-income geographies, 35.59 percent in middle-income geographies, and 38.45 percent in upper-income geographies. The median housing cost is \$291,302.

The 2010 median family income for this AA was \$85,985, and the 2016 FFIEC updated median family income is \$86,700. Approximately 22.83 percent of families are low-income, 17.69 percent are moderate-income, 20.28 percent are middle-income, and 39.20 percent are upper-income. Additionally, 25.43 percent of households received social security, 19.37 percent were retired, and 10 percent of households were below the poverty level.

Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. Based upon the most recent 2016 Peer Mortgage Data, there were 560 lending institutions within the AA competing for mortgage applications. PBFBSB ranks 31 with a market share of 0.83 percent. The top five lenders are: Wells Fargo Bank, NA, SunTrust Mortgage, Inc., Quicken Loans, PennyMac Loan Services LLC, and First Home Mortgage.

According to the Bureau of Labor Statistics, the September 30, 2017 the preliminary unemployment rate for the Baltimore-Columbia-Towson MD MSA was 3.7 percent.

As per September 2017 Moody's Analytics data, Baltimore-Columbia-Towson is taking a breather. BAL is trailing most other large U.S. metro areas in growth in payroll employment, which has slowed on a year-ago basis. However, the slowdown is largely the result of a tight labor market. Nearly half of private industries are adding workers, weekly earnings are on the rise, and the unemployment rate, which had been steady since mid-2016, has broken lower to near 4 percent despite upward pressure from an expanding labor force. Housing is less nuanced. Multifamily housing starts are below their year-ago level. The single-family market is a little better, though progress is meager as it has been throughout the current business cycle. Healthcare and professional/ business services will illuminate the way forward. Healthcare employment is powering ahead, even as industry job growth slows nationally. Owing to leading university hospitals, BAL is a major healthcare hub that draws patients from all over the country. Johns Hopkins, for example, consistently ranks among the nation's best hospitals. Healthcare and the nearby nation's capital foster growth in professional services: Defense and biomedical industries support tech, engineering and scientific employment, which have done much of the heavy lifting throughout the expansion. As wage pressures build in the tight labor market, job growth in high-wage industries will surpass the U.S. pace because of these industries.

Moody's Analytics reports that the outlook for Baltimore-Columbia-Towson is sanguine. Healthcare and professional/ business services will drive faster job and output growth in 2018. Housing will pick up as income growth firms and foreclosure inventories clear. Modest population gains and relatively high business costs limit upside potential. Long term, BAL's mature economy will track the nation's in job and income growth,

In conjunction with an evaluation performed of another bank during the same evaluation period, a community contact was made with a representative of a local community housing organization. The contact stated that there is an ongoing need for support of programs that will help to reduce and eliminate vacant and abandoned properties. There is a need to support programs that will help increase housing diversity in every neighborhood throughout the region. The contact also indicated that there is a need to provide support for workforce and job training programs that will allow people to obtain better paying living wage jobs. During the evaluation period, PBFBSB supported affordable housing initiatives in its AA.