



## PUBLIC DISCLOSURE

May 05, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Malaga Bank F.S.B.  
Charter Number 708089

2514 Via Tejon  
Palos Verdes Estates, CA 90274

Office of the Comptroller of the Currency

1551 North Tustin Avenue Suite 1050  
Santa Ana, CA 92705

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

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

**The Lending Test is rated: "Satisfactory."**

**The Community Development Test is rated: "Satisfactory."**

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and business strategy.
- The bank originated a substantial majority of its loans within its delineated assessment areas.
- The overall geographic distribution of loans reflects reasonable dispersion.
- The distribution of mortgage loans to borrowers of different income levels reflects poor penetration. Economic factors and the bank's performance context help explain this performance.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs in its assessment areas.

## **Scope of Examination**

This Performance Evaluation (PE) assesses the Community Reinvestment Act (CRA) performance of Malaga Bank F.S.B. (MB or bank) using intermediate small bank procedures. We performed a full-scope examination of the bank's Los Angeles County and Orange County assessment areas (AAs). We evaluated CRA activities under the Lending Test criteria, as well as through an evaluation of lending, investments, and services under the Community Development (CD) Test.

**Lending Test:** The bank makes mortgage loans that are reportable under the Home Mortgage Disclosure Act (HMDA). Mortgage loans comprised the substantial majority of the bank's originations during our Lending Test evaluation period (calendar years 2013 and 2014). As such, we focused our examination scope on originations of multifamily mortgage loan products subject to HMDA reporting. For our examination, we first conducted a data integrity test of the bank's regulatory HMDA reports for our evaluation period. We tested a sample of mortgage loans originated in each year and compared the information to applicable CRA-related data on the HMDA loan reports. Based on the degree of accuracy in our data testing, we then evaluated the bank's lending patterns using applicable HMDA loan data for the evaluation period.

**CD Test:** We considered all qualifying CD activities since the bank's last CRA examination, from May 2012 through December 2014.

## Description of Institution

MB is a full-service community bank and is a wholly-owned subsidiary of Malaga Financial Corporation, which is a single-bank holding company that incorporated in November 2002. The bank has five branches located in Los Angeles County: Palos Verdes Estates (main headquarters), Rolling Hills Estates, Torrance (2), and San Pedro. All locations are located in upper-income census tracts. MB added the Torrance Skypark branch to the existing loan production office in August 2012.

The bank offers traditional banking services at its branch locations. All branches have safe deposit boxes (except for the Skypark branch), merchant night deposit drops, and automated teller machines (ATMs). All branches are open for business Monday through Thursday from 9:00 AM to 5:00 PM, and Friday from 9:00 AM to 6:00 PM. All branches are open for business Saturday from 9:00 AM to 1:30 PM, except for the Skypark branch. MB offers traditional lending products with an emphasis on multi-family residential properties. To a lesser extent, the bank also provides single-family mortgage loans, commercial real estate loans, commercial/industrial loans, and construction lending products. Consumer loans consist largely of home equity lines of credit.

As of December 31, 2014, MB reported total assets of \$946 million, total loans of \$875 million, total deposits of \$712 million, and total equity capital of \$125 million. Total loans represented approximately 92 percent of total assets. The following chart summarizes the loan portfolio by major product types.

| <b>Malaga Bank, F.S.B.<br/>Outstanding Balances<br/>by Major Product Type<br/>as of December 31, 2014</b> |                  |                |
|---|------------------|----------------|
| <b>Loan Type</b>  | <b>(\$000's)</b> | <b>Percent</b> |
| Multifamily Residential RE  | 653,239          | 74.6%          |
| 1-4 Family Residential RE   | 175,160          | 20.0%          |
| Commercial RE   | 41,197           | 4.7%           |
| Commercial/Industrial   | 3,109            | 0.4%           |
| Construction  | 2,336            | 0.3%           |
| Consumer  | 299              | 0.0%           |
| <b>Total</b>  | <b>875,340</b>   | <b>100.0%</b>  |

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. MB received a "Satisfactory" rating under the "Intermediate Small Bank" rating criteria at the prior CRA examination dated May 29, 2012.

## DESCRIPTION OF ASSESSMENT AREAS

MB has identified two AAs for CRA purposes. Its primary AA is the entire County of Los Angeles. The bank also elected to include the entire County of Orange as its second AA.

## Los Angeles County

The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. It includes the 2,346 census tracts in the Los Angeles-Long Beach-Glendale Metropolitan Division (MD). Nine percent of the census tracts are low-income, 28 percent are moderate-income, 27 percent are middle-income, 34 percent are upper-income, and 2 percent of the census tracts have not been assigned an income classification. MB helps meet community credit needs in the Los Angeles AA through its five offices.

The AA is part of the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). Los Angeles County is located in southern California and covers over 4,000 square miles. It has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is lesser populated in inland areas; however, the southern half of the county is heavily urbanized. Based on the 2010 U.S. Census, the population in the Los Angeles County AA is 9.8 million.

The banking environment in the AA is highly competitive. The June 30, 2014 FDIC Deposit Market Share Report indicates that 111 institutions with 1,811 offices compete for deposits in Los Angeles County. The major competing institutions include Bank of America, N.A., Wells Fargo Bank, N.A., MUFG Union Bank, N.A., JPMorgan Chase Bank, N.A., City National Bank, and Citibank, N.A. These banks collectively hold 67 percent of the deposit market share. MB ranks 36<sup>th</sup> and holds a market share of 0.20 percent. The banks that compete for deposits in the AA also compete for loans. In addition, there are numerous other institutions in the AA that do not collect deposits but do compete for loans, making it even more difficult for banks to compete for loans than deposits.

Los Angeles County has a diverse economic base. Historically, the leading industry clusters were tourism and hospitality, professional and business services, entertainment (motion picture and TV production), wholesale distribution, and health services and biomedical. More recently, the Los Angeles County economy has been largely technology driven, specifically the bio-medical, digital information technology, and environmental technology sectors, all of which build on the vibrant technical research capabilities in the county. The county is also the largest manufacturing center in the United States, and the seaports and airports support international trade. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The top employers are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation; University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America Corporation; The Boeing Company; Providence Health Systems, The Home Depot, USA Inc.; Vons; Wells Fargo; Edison International; and AT&T.

The economy in the AA showed strong signs of improvement during the review period. In April 2013, the unemployment rate dropped below 10 percent for the first time in four years. According to the Employment Development Department (EDD), the current unemployment rate for Los Angeles County is 7.5 percent as of December 2014. This is above the 6.7 percent unemployment rate for the State of California and the 5.6 percent national unemployment rate but still a significant improvement since the recent severe recession.

We participated on a conference call with several development organizations that provide credit resources to small businesses in underserved communities in Los Angeles County. The representatives stated that high unemployment is still a major issue. Small business financing and technical assistance are a concern and still needed. Entrepreneurship is more visible in this county than in other areas of the State. Affordable housing is a challenge, and foreclosure issues remain. Examiners also contacted a national organization that provides capital and solutions to develop affordable housing for LMI persons and communities across the country, an ongoing need in the AA.

### Orange County

Orange County is primarily an urban area, with 34 incorporated cities and several unincorporated areas, which form the Anaheim-Santa Ana-Irvine MD. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

Orange County is the third largest county in California by population and covers 789 square miles of land. The estimated population is 3 million based on the 2010 U.S. Census. Orange County has extensive transportation facilities including airports, railroads, and freeways. The freeway system connects the county's labor force to employment centers in Los Angeles, as well as provides extensive access within county borders. The county has 42 miles of southern California coastline with nine public beaches. The neighboring counties include Los Angeles County to the north, San Diego County to the south, and Riverside and San Bernardino Counties to the east.

Orange County consists of 583 census tracts: 6 percent are low-income, 26 percent are moderate-income, 33 percent are middle-income, and 34 percent are upper-income tracts, and one percent has not been assigned an income classification. The LMI tracts are located mainly in the central and northwestern parts of the county. The 2010 Census median housing value was \$598,487. According to DQNews, the median home price in December 2014 was \$585,000. Approximately 57 percent of all housing units are owner-occupied. The Federal Financial Institutions Examination Council (FFIEC) reported the median family income was \$84,900 for 2014. Approximately 9 percent of the households are living below the poverty level.

The county's economic output and employment is well distributed among the various sectors. Orange County is known for tourism, with attractions such as Disneyland, Knott's Berry Farm, and several beaches. Orange County also is the headquarters for

several Fortune 500 companies, including Ingram Micro, Inc., First American Financial Corporation, Broadcom Corporation, Western Digital Corporation, and Pacific Life Insurance Company. Major employers include the Walt Disney Company, University of California – Irvine, St. Joseph Health System, Boeing Company, Kaiser Permanente, and Bank of America Corporation.

Technology, tourism, and the renewed housing-related industries are the primary drivers of improvements in the county's economy. Private job gains are broadening across industries, and local and state government payrolls are stabilizing. Orange County's labor force is expanding. According to the Bureau of Labor Statistics, the Orange County unemployment rate was 4.4 percent in December 2014. Orange County's unemployment rate is one of the lowest among California regional economies and well below the state unemployment rate of 6.7 percent.

While MB does not have an office in the Orange County AA, there is strong competition for market share among local financial institutions, including several community banks and branches of larger nationwide banks. The most recent FDIC Deposit Market Share Report dated June 30, 2014, shows 85 institutions operating 696 offices in the Orange County AA. The major competing institutions include Wells Fargo Bank, N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A., MUFG Union Bank, N.A, Citibank, N.A., and U.S. Bank, N.A. These banks collectively hold 66 percent of the deposit market share.

An OCC Community Affairs Officer participated on a conference call with several development organizations that provide credit resources to small businesses in underserved communities in Los Angeles and Orange County. The representatives stated that unemployment, while improving, continues to be a major issue. Small business financing and technical assistance are still needed. Affordable housing is a challenge, and foreclosure issues remain. Examiners also contacted an affiliate of a national affordable housing intermediary that focuses on affordable and safe housing solutions for LMI individuals and families, an ongoing need in the AA.

## **Conclusions with Respect to Performance Tests**

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test, respectively. Also, refer to the "Institution's CRA Rating" section of this report for summary conclusions regarding the bank's performance under each test.

### **Lending Test**

MB's overall performance under the CRA Lending Test is "Satisfactory." The bank exceeds the standard for satisfactory performance on two tests and meets the standard on one test, which compensate for weaker performance on one test.

**Loan-to-Deposit Ratio**

MB’s loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and local economic conditions, and it exceeds the standard for satisfactory performance. We evaluated the bank’s quarterly average LTD ratio for the 12 quarters since the prior CRA examination through December 31, 2014. During this period, the bank’s LTD ratio averaged 130 percent. This ratio ranged from a quarterly low of 122 percent to a quarterly high of 143 percent during the period. The bank’s LTD ratio exceeds the average ratio of five other banks of similar asset size in the AAs. The average LTD ratio for this group of peer banks was 89 percent over the same period, and the ratios ranged from a low of 75 percent to a high of 107 percent.

**Lending in Assessment Area**

MB granted a substantial majority of the number and dollar volume of loans inside its delineated AAs and exceeded the standard for satisfactory performance. The bank granted 90 percent of the number of loans and 87 percent of the dollar volume within its delineated AAs during our evaluation period. See Table 1 for details.

| <b>Table 1 - Lending in Defined Assessment Area</b> |                 |       |         |       |       |                            |       |         |       |         |
|---|-----------------|-------|---------|-------|-------|----------------------------|-------|---------|-------|---------|
| Loan Type   | Number of Loans |       |         |       |       | Dollars of Loans (\$000's) |       |         |       |         |
|   | Inside          |       | Outside |       | Total | Inside                     |       | Outside |       | Total   |
|   | #               | %     | #       | %     |       | \$                         | %     | \$      | %     |         |
| Mortgage Loans                                      | 284             | 89.87 | 32      | 10.13 | 316   | 270,822                    | 87.07 | 40,226  | 12.93 | 311,048 |

*Source: Data reported under HMDA from January 2013 through December 2014.*

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The bank’s distribution of mortgage loans to borrowers of different income levels reflects poor penetration compared to area demographics and needs to improve. Economic factors and the bank’s performance context help explain this performance.

*Performance in the Los Angeles AA*

The bank made no home refinance or home purchase loans to LMI borrowers in the Los Angeles AA, which does not compare well to area demographics. However, MB’s ability to extend residential mortgage loans to LMI borrowers is hindered by AA demographics. The average median housing value in this AA was \$526,439. According to the 2014 U.S. Department of Housing and Urban Development (HUD) updated median family income, low-income individuals earn less than \$30,300, and moderate-income individuals earn less than \$48,480. Additionally, 14 percent of households in the AA are below the poverty level. The lack of affordability limits the opportunities for home mortgage lending to low- and moderate-income individuals. In addition, MB faces strong competition. The 2013 peer mortgage data indicates 788 HMDA reporters in the Los Angeles market. The largest competitors in the county include Wells Fargo Bank, N.A., JP Morgan Chase, N.A., Bank of America, N.A., and Citibank, N.A., who together dominated the market with over 35 percent market share. MB’s market share was 0.05

percent. There are 111 FDIC insured financial institutions in the AA with over 1,800 offices. MB ranks number 36 by deposits with only 0.20 percent market share.

Note: There is no income distribution analysis for multifamily loans because borrowers were entities other than individuals or families. As such, income is not required to be reported for HMDA data purposes.

The tables below summarize the “Borrower Distribution” data for MB’s home refinance and home purchase loans originated during the evaluation period in its Los Angeles County AA.

| <b>Table 2 - Distribution of Home Mortgage Refinance Loans By Borrower Income Level Los Angeles County AA</b> |                                |                               |                            |
|---|--------------------------------|-------------------------------|----------------------------|
| <b>Borrower Income Level</b>  | <b>Review Period 2013-2014</b> |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Families</b>           | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 24.0                           | 0.0                           | 4.6                        |
| Moderate  | 16.4                           | 0.0                           | 9.9                        |
| Middle  | 17.7                           | 8.3                           | 18.0                       |
| Upper   | 41.9                           | 91.7                          | 67.5                       |

*Source: All 41 home refinance loans MB originated within its Los Angeles County AA between January 1, 2013, and December 31, 2014.*

| <b>Table 2A - Distribution of Home Mortgage Purchase Loans By Borrower Income Level Los Angeles County AA</b> |                                |                               |                            |
|---|--------------------------------|-------------------------------|----------------------------|
| <b>Borrower Income Level</b>  | <b>Review Period 2013-2014</b> |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Families</b>           | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 24.0                           | 0.0                           | 1.5                        |
| Moderate  | 16.4                           | 0.0                           | 9.0                        |
| Middle  | 17.7                           | 0.0                           | 21.3                       |
| Upper   | 41.9                           | 100.0                         | 68.2                       |

*Source: All 36 home purchase loans MB originated within its Los Angeles County AA between January 1, 2013, and December 31, 2014.*

*Performance in the Orange County AA*

The bank made no home refinance or home purchase loans to LMI borrowers in the Orange County AA, which does not compare well to area demographics. However, MB originated only five home refinance loans and three home purchase loans in this AA, which was not enough to perform a meaningful analysis.

Note: There is no income distribution analysis for multifamily loans because borrowers were entities other than individuals or families. As such, income is not required to be reported for HMDA data purposes.



The tables below summarize the “Borrower Distribution” data for MB’s home refinance and home purchase loans originated during the evaluation period in its Orange County AA.

| <b>Table 2C - Distribution of Home Mortgage Refinance Loans By Borrower Income Level Orange County AA</b> |                                |                               |                            |
|---|--------------------------------|-------------------------------|----------------------------|
| <b>Borrower Income Level</b>  | <b>Review Period 2013-2014</b> |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Families</b>           | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 22.0                           | 0.0                           | 6.2                        |
| Moderate  | 17.3                           | 0.0                           | 13.5                       |
| Middle  | 19.5                           | 33.3                          | 22.9                       |
| Upper   | 41.2                           | 66.7                          | 57.4                       |

*Source: All 5 home refinance loans MB originated within its Orange County AA between January 1, 2013, and December 31, 2014.*

| <b>Table 2D - Distribution of Home Mortgage Purchase Loans By Borrower Income Level Orange County AA</b> |                                |                               |                            |
|--|--------------------------------|-------------------------------|----------------------------|
| <b>Borrower Income Level</b>   | <b>Review Period 2013-2014</b> |                               | <b>Peer Aggregate 2010</b> |
|  | <b>% of Families</b>           | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low  | 22.0                           | 0.0                           | 2.3                        |
| Moderate   | 17.3                           | 0.0                           | 11.2                       |
| Middle   | 19.5                           | 0.0                           | 22.8                       |
| Upper  | 41.2                           | 100.0                         | 63.7                       |

*Source: All 3 home purchase loans MB originated within its Orange County AA between January 1, 2013, and December 31, 2014.*

**Geographic Distribution of Loans**

Overall, the geographic distribution of MB’s home mortgage loans reflects reasonable dispersion throughout the AAs compared to area demographics, and meets the standard for satisfactory performance. We placed more weight on multifamily loans in the Los Angeles AA because they comprised a substantial majority of the bank’s originations.

*Performance in the Los Angeles AA*

The overall geographic distribution of loans in the Los Angeles AA reflects a reasonable dispersion throughout census tracts of different income levels.

Multifamily Lending

The geographic distribution of MB’s multifamily loans is reasonable. The distribution of multifamily loans within moderate-income census tracts reasonably compares to both the percentage of multifamily units and HMDA peer aggregate data. The distribution of

multifamily loans within low-income census tracts is lower than the demographic comparators. See Table 3 for details.

| <b>Table 3 - Geographic Distribution of Multifamily Residential Loans Los Angeles County AA</b> |                                |                               |                            |
|---|--------------------------------|-------------------------------|----------------------------|
| <b>Census Tract Designation</b>   | <b>Review Period 2013-2014</b> |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Multifamily Units</b>  | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 13.2                           | 3.2                           | 13.9                       |
| Moderate  | 31.6                           | 32.8                          | 39.3                       |
| Middle  | 24.7                           | 27.0                          | 24.2                       |
| Upper   | 30.5                           | 37.0                          | 22.6                       |

*Source: All 189 multifamily residential real estate loans MB originated within its Los Angeles County AA between January 1, 2013, and December 31, 2014.*

Home Mortgage Refinance Lending

The overall geographic distribution of MB’s home refinance loans is poor. The bank did not make any home refinance loans in low-income census tracts. However, the percentage of owner occupied units is comparatively low at 2.1 percent, which helps explain this performance given the limited opportunity to lend. In addition, the HMDA aggregate performance of other financial institutions within low-income census tracts was only 1.8 percent. The distribution of home refinance loans within moderate-income census tracts is also lower than the demographic comparators. See Table 3A for details.

| <b>Table 3A - Geographic Distribution of Home Mortgage Refinance Loans Los Angeles County AA</b> |                                  |                               |                            |
|--|----------------------------------|-------------------------------|----------------------------|
| <b>Census Tract Designation</b>  | <b>Review Period 2013-2014</b>   |                               | <b>Peer Aggregate 2010</b> |
|  | <b>% of Owner Occupied Units</b> | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low  | 2.1                              | 0.0                           | 1.8                        |
| Moderate   | 16.6                             | 2.4                           | 13.5                       |
| Middle   | 28.7                             | 12.2                          | 25.8                       |
| Upper  | 52.6                             | 85.4                          | 58.9                       |

*Source: All 41 home refinance loans MB originated within its Los Angeles County AA between January 1, 2013, and December 31, 2014.*

Home Purchase Lending

The overall geographic distribution of MB’s home purchase loans is reasonable. The distribution of home purchase loans within low-income census tracts exceeds the percentage of owner occupied units and meets the HMDA peer aggregate data. The distribution of home purchase loans within moderate-income census tracts reasonably

compares to both the percentage of owner occupied units and HMDA peer aggregate data. See Table 3B for details.

| <b>Table 3B - Geographic Distribution of Home Purchase Loans Los Angeles County AA</b> |                                  |                               |                            |
|--|----------------------------------|-------------------------------|----------------------------|
| <b>Census Tract Designation</b>  | <b>Review Period 2013-2014</b>   |                               | <b>Peer Aggregate 2010</b> |
|  | <b>% of Owner Occupied Units</b> | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low  | 2.1                              | 2.8                           | 2.8                        |
| Moderate   | 16.6                             | 5.6                           | 18.2                       |
| Middle   | 28.7                             | 16.6                          | 28.0                       |
| Upper  | 52.6                             | 75.0                          | 51.0                       |

*Source: All 36 home purchase loans MB originated within its Los Angeles County AA between January 1, 2013, and December 31, 2014.*

*Performance in the Orange County AA*

MB originated only 10 multifamily residential loans, five home refinance loans, and three home purchase loans in this AA during the review period. This small volume of loans makes it difficult to perform a meaningful analysis. However, the distribution of multifamily loans within moderate-income census tracts exceeds both the percentage of multifamily units in these geographies and the HMDA peer aggregate data and reflects the bank’s willingness to lend in these geographies. Contextual issues include the lack of an office in this AA and significant competition from other lenders.

The tables that follow summarize the “Geographic Distribution” data for MB’s HMDA lending by product type during the evaluation period in the Orange County AA.

| <b>Table 3C - Geographic Distribution of Multifamily Residential Loans Orange County AA</b> |                                |                               |                            |
|---|--------------------------------|-------------------------------|----------------------------|
| <b>Census Tract Designation</b>   | <b>Review Period 2013-2014</b> |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Multifamily Units</b>  | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 10.5                           | 0.0                           | 19.4                       |
| Moderate  | 35.8                           | 50.0                          | 48.0                       |
| Middle  | 32.8                           | 40.0                          | 21.6                       |
| Upper   | 20.9                           | 10.0                          | 11.0                       |

*Source: All 10 multifamily residential real estate loans MB originated within its Orange County AA between January 1, 2013, and December 31, 2014.*

| <b>Table 3D - Geographic Distribution of Home Mortgage Refinance Loans Orange County AA</b> |                                  |                               |                            |
|---|----------------------------------|-------------------------------|----------------------------|
| <b>Census Tract Designation</b>   | <b>Review Period 2013-2014</b>   |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Owner Occupied Units</b> | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 3.0                              | 0.0                           | 1.7                        |
| Moderate  | 19.6                             | 0.0                           | 16.2                       |
| Middle  | 33.2                             | 0.0                           | 32.4                       |
| Upper   | 44.2                             | 100.0                         | 49.7                       |

Source: All 5 home refinance loans MB originated within its Orange County AA between January 1, 2013, and December 31, 2014.

| <b>Table 3E - Geographic Distribution of Home Purchase Loans Orange County AA</b> |                                  |                               |                            |
|---|----------------------------------|-------------------------------|----------------------------|
| <b>Census Tract Designation</b>   | <b>Review Period 2013-2014</b>   |                               | <b>Peer Aggregate 2010</b> |
|   | <b>% of Owner Occupied Units</b> | <b>% Number of Bank Loans</b> | <b>%</b>                   |
| Low   | 3.0                              | 0.0                           | 1.8                        |
| Moderate  | 19.6                             | 0.0                           | 17.6                       |
| Middle  | 33.2                             | 33.3                          | 32.4                       |
| Upper   | 44.2                             | 66.7                          | 48.2                       |

Source: All 3 home purchase loans MB originated within its Orange County AA between January 1, 2013, and December 31, 2014.

### **Responses to Complaints**

The bank did not receive any complaints about its performance under the CRA during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

MB's performance under the CD Test is "Satisfactory." The bank's CD performance demonstrates adequate responsiveness to the CD needs in its AAs.

### **Number and Amount of Community Development Loans**

The bank's record of CD lending is excellent. MB originated 51 CD loans totaling \$46.7 million. These loans provided 650 units of affordable housing to LMI families in the bank's AAs. Affordable housing continues to be an identified and significant need within the bank's AAs.

### **Number and Amount of Qualified Investments**

The bank's record of qualified investments/donations is satisfactory. The bank made four qualifying CD investments totaling \$975 thousand in various minority-owned

institutions. MB also made qualified CD donations of \$21 thousand to various organizations that provide services to LMI persons. These organizations provide a broad range of essential human services and economic development activities to LMI residents to help them achieve self-sufficiency through education, employment, and housing opportunities.

### **Extent to Which the Bank Provides Community Development Services**

MB employees contributed 257 hours of qualified CD services to a variety of nonprofit organizations that provide financial literacy and community services to LMI residents in the AAs.

None of the bank's branches are located in low- or moderate-income geographies; however, the bank provides products and services that are considered responsive to LMI individuals. MB offers two types of low-cost personal checking accounts (No-fee Checking and Student Checking) with a \$100 minimum balance to open, no monthly maintenance fee, no required minimum balance, unlimited check writing, and unlimited debit card usage.

### **Responsiveness to Community Development Needs**

The bank's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs of its AAs, in particular when considering the bank's capacity, performance context, and the competition for CD opportunities in the AAs.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.