

PUBLIC DISCLOSURE

June 7, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Parkway Bank and Trust Company
Certificate Number: 19008

4800 North Harlem Avenue
Harwood Heights, Illinois 60656

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

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

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

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

The Lending Test is rated High Satisfactory.

- Lending levels reflect adequate responsiveness to the credit needs of the assessment areas.
- A substantial majority of loans are made in the institution’s assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration of business customers of different size.
- The institution has made a relatively high level of community development (CD) loans.
- The institution makes limited use of innovative and/or flexible lending practices in order to serve the credit needs of the assessment areas.

The Investment Test is rated Low Satisfactory.

- The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits adequate responsiveness to credit and CD needs.
- The bank rarely uses innovative or complex investments to support CD initiatives.

The Service Test is rated Low Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas.
- No branches have been opened or closed during the evaluation period.
- Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas.
- The institution provides an adequate level of CD services

DESCRIPTION OF INSTITUTION

Parkway Bank and Trust Company (PBTC) is headquartered in Harwood Heights, Illinois. The bank is wholly owned by Parkway Bancorp, Inc., a one-bank holding company. The institution received a Satisfactory rating at its previous FDIC performance evaluation dated June 4, 2018, based on Interagency Large Institution Examination Procedures.

The bank operates 32 banking offices, including 24 locations in Illinois in the counties of Cook, DuPage, Kane, and Lake. The bank also operates eight locations in Arizona, all in Maricopa County. Of the 32 banking offices, two are located in moderate-income census tracts. The other locations, including the main office, are located in middle- and upper-income census tracts.

The bank offers a variety of traditional loan and deposit products to serve both consumer and business customers. Deposit products consist of checking and savings accounts, as well as certificates of deposit and individual retirement accounts. Consumer credit products include home equity lines of credit, certificate of deposit secured loans, auto secured loans, and unsecured loans. Commercial credit products include loans and lines of credit for real estate, business acquisition, working capital, equipment, and other business needs. The bank also offers commercial loans under the United States Small Business Administration (SBA) lending programs. Alternative banking services include internet and mobile banking, electronic bill pay, merchant remote deposit capture, and 41 bank-owned automated teller machines (ATMs). Since the previous evaluation, no branches have been opened or closed.

According to the March 31, 2021 Consolidated Reports of Condition and Income, PBTC reported total assets of \$2.9 billion, net loans of \$2.2 billion, and total deposits of \$2.3 billion, yielding a net loan-to-deposit ratio of 94.6 percent and a net loan-to-asset ratio of 74.4 percent. Additionally, PBTC's investment portfolio totaled \$234 million, which represents 8.4 percent of total assets.

PBTC experienced growth in both assets and loans since the previous Community Reinvestment Act (CRA) evaluation. Total assets increased \$382 million, or 15.2 percent, while total loans increased \$216 million, or 11.0 percent. Lending growth by dollar volume has been noted most prominently in construction and land development loans as well as commercial and industrial loans. The bank's loan portfolio concentrations as of March 31, 2021 are detailed in the following table, which indicates that commercial lending is the bank's primary business focus.

Loan Portfolio Distribution as of 3/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	106,728	4.9
Secured by Farmland	-	0.0
Secured by 1-4 Family Residential Properties	41,372	1.9
Secured by Multi-family (5 or more) Residential Properties	499,804	22.8
Secured by Non-farm Non-Residential Properties	1,090,435	49.8
Total Real Estate Loans	1,738,339	79.4
Commercial and Industrial Loans	448,331	20.5
Agricultural Production and Other Loans to Farmers	-	0.0
Consumer	973	<.1
Obligations of States and Political Subdivisions in the United States	354	<.1
Other Loans	35	<.1
Lease Financing Receivables (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
Total Loans	2,188,032	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs within its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. PBTC has designated two assessment areas that have not changed since the previous evaluation; one in Illinois, and one in Arizona. This performance evaluation will refer to these areas as the Illinois assessment area and the Arizona assessment area. Each assessment area is consistent with the CRA requirements, as both consist of contiguous, whole geographies where branch offices are located, and the areas do not arbitrarily exclude LMI geographies or reflect illegal discrimination. The following table illustrates the bank's operations in each assessment area.

Description of Assessment Areas			
Assessment Area Name	Counties in Assessment Area	Number of Census Tracts	Number of Offices
Illinois assessment area	Cook, DuPage, Kane and Lake	1,771	24
Arizona assessment area	Maricopa	916	8
<i>Source: 2015 US Census, Bank Records.</i>			

Specific details regarding each of the assessment areas are discussed separately in the State of Illinois and State of Arizona sections of this evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 4, 2018, to the current evaluation dated June 7, 2021. Examiners used the Interagency Large Institution Examination Procedures to evaluate PBTC’s CRA performance. These procedures include the following three tests: the Lending Test, the Service Test, and the Investment Test. Examiners performed full-scope reviews on both assessment areas, because the examination procedures require that a least one assessment area from each state must receive such a review. PBTC conducts a substantial majority of deposit and lending activities in the Illinois assessment area. As such, the bank’s performance within the State of Illinois accounted for the greatest weight in the overall CRA rating.

Activities Reviewed

Examiners determined that the bank’s major product line is small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Small farm and consumer loans were not reviewed as both represent less than a significant portion of the loan portfolio and originations during the review period.

While examiners considered home mortgage loans, the volume of loans by number and the lack of any consumer purpose loans or loans with reported income made drawing conclusions difficult. PBTC is not required to collect or report home mortgage data under the Home Mortgage Disclosure Act. However, PBTC optionally collected home mortgage data, which details that PBTC originated seven home mortgage loans totaling \$35.1 million in 2019, and 24 home mortgage loans totaling \$40.2 million in 2020. Based on dollar volume, examiners determined that home mortgage loans represent a somewhat significant portion of the bank’s lending by dollar; however, the low number of loans made drawing conclusions difficult, particularly given the loans are divided among the two assessment areas. Additionally, a small number of loans accounted for a significant portion of the dollars. For example, five loans accounted for \$33.4 million of the total \$40.2 million in 2020. Further, as none of the loans are consumer purpose home mortgage loans, analysis of income levels is not meaningful. Given the inability to draw relevant conclusions from the data, home mortgage lending is not presented in this performance evaluation.

Small business loan data for 2018, 2019, and 2020 collected and reported pursuant to the CRA data collection requirements was used to evaluate the bank's small businesses lending performance. The institution originated or purchased 220 small business loans totaling \$85.4 million in 2018, 150 small business loans totaling \$52.5 million in 2019, and 517 small business loans totaling \$70.4 million in 2020. The significant increase in the bank's lending by number of loans is due primarily to PBTC's participation in the SBA's Paycheck Protection Program (PPP). The PPP was part of the federal government's response to the Coronavirus Disease 2019 (COVID-19) pandemic. Examiners utilized D&B data and CRA aggregate data to serve as a comparison to evaluate the bank's small business performance. However, examiners placed more weight on comparisons to aggregate data as it provides a better assessment of lending opportunities.

While examiners considered and included both number and dollar volume of loans in the tables, discussion of performance is limited to loans by number, as performance by dollar volume did not lead to different conclusions. Further, the number of loans is a better indicator of the number of businesses served.

CD loans, qualified investments, and CD services initiated or maintained in the bank's assessment areas since the previous CRA performance evaluation dated June 4, 2018, to the current performance evaluation dated June 7, 2021, were also reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA

This performance evaluation includes a review of the bank's retail and CD lending performance, qualified investment activity, and retail and CD services. In addition, given the bank has branch locations in more than one state, the requirements defined in the Interstate Banking and Branching Efficiency Act of 1994 (IBBEA) were followed. IBBEA states that the bank must be assigned an overall rating and a separate rating in each state where branch offices are located. The results of the review are summarized below.

LENDING TEST

The bank's lending performance evidences adequate responsiveness to the credit needs in its assessment areas. This conclusion is primarily based on lending performance in the Illinois assessment area, as it accounts for 81.3 percent of the bank's overall lending. While the percentage of lending in the Illinois assessment area is significant, the current percentage represents a decline from the prior examination where 94 percent of lending occurred in the Illinois assessment area. Conclusions regarding the bank's overall performance are consistent with the conclusions for the State of Illinois and the State of Arizona.

Lending Activity

PBTC's overall lending levels demonstrate adequate responsiveness to the credit needs in the assessment areas. Examiners reviewed the number and dollar volume of small business and home mortgage loans originated during the review period. This conclusion was based on adequate lending activity in the both the Illinois and Arizona assessment areas.

Assessment Area Concentration

A substantial majority of PBTC’s loans, by number and dollar volume, were made in the assessment areas during the review period. The following table shows the distribution of the bank’s small business loans inside and outside of the assessment areas by year.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2018	188	85.5	32	14.5	220	71,953	84.3	13,450	15.7	85,403
2019	132	88.0	18	12.0	150	43,823	83.5	8,670	16.5	52,493
2020	497	96.1	20	3.9	517	63,553	90.2	6,867	9.8	70,420
Total	817	92.1	70	7.9	887	179,329	86.1	28,987	13.9	208,316

*Source: Bank Data
Due to rounding, totals may not equal 100.0%*

Geographic Distribution

The bank’s geographic distribution of small business loans reflects adequate penetration throughout the assessment areas. This conclusion is supported by adequate performance in both the Illinois and Arizona assessment areas. Examiners focused on the bank’s record of lending in LMI census tracts.

Borrower Profile

The distribution of loans to borrowers reflects, given the products offered by the institution, good penetration among business customers of different size. This conclusion is supported by good performance in both the Illinois and Arizona assessment areas.

Innovative or Flexible Lending Practices

PBTC makes limited use of innovative and/or flexible lending practices to serve the credit needs of the assessment areas. The bank continues to offer small business loans through the SBA, including SBA 504 loans that have a primary purpose of economic development. SBA loans require extra effort by bank personnel compared to conventional loans and help borrowers who might not otherwise qualify for credit. During the review period, PBTC originated four SBA loans totaling \$11.3 million. PBTC also participated in the SBA’s PPP. The bank originated 418 PPP loans totaling \$47.4 million in 2020, and 220 PPP loans totaling \$24.3 million in 2021.

In December 2020, PBTC introduced the Real Time Lending program. This loan product is available online only for commercial customers, and the maximum amount for a line of credit or term loan is \$25,000. All applications are digitally submitted and only take a few minutes to complete, with an automated credit decision issued in just a few seconds. The loan documents are sent to and submitted by the borrower electronically. Loans are funded and available within one to two business days. PBTC originated four loans totaling \$87,000. All loans went to small businesses.

Community Development Loans

The bank has made a relatively high level of CD loans during the evaluation period. Overall, the bank originated 67 loans totaling \$162.8 million, or 7.8 percent of average total loans. This represents a significant increase in terms of dollars since the prior evaluation where the bank reported 45 CD loans totaling \$57.3 million, representing 3.0 percent of PBTC’s average total loans. While the increase can be attributed partially to loans funded under the PPP (25 loans totaling \$14.0 million), the most significant increase in CD loans is attributable to increased lending in the Arizona assessment area.

PBTC’s performance significantly exceeds four similarly situated banks (SSBs) operating in the bank’s assessment areas that were recently evaluated for CRA. The SSBs’ CD loans-to-total average loan ratios ranged from 2.5 to 5.5 percent and averaged 4.2 percent. While only one of the four SSB’s evaluations included PPP loans (given the time period of the reviews), even when adjusting for PPP loans, PBTC’s percentage of 7.2 continues to exceed all of the SSBs. The following table summarizes the bank’s CD lending by assessment area and CD category.

Community Development Loans by Assessment Area										
Assessment Areas	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois	14	19,950	1	22,756	20	26,742	12	42,905	47	112,353
Arizona	1	20,821	0	0	0	0	19	29,596	20	50,417
Total	15	40,771	1	22,756	20	26,742	31	72,501	67	162,770

Source: Bank Records

The majority of the CD loans in the assessment areas support revitalization or stabilization efforts. These loans are considered particularly responsive to the credit needs in the assessment areas. The bank made a majority of the CD loans in the Illinois assessment area.

INVESTMENT TEST

PBTC demonstrated adequate performance under the Investment Test. The significant level of qualified investment activity and adequate responsiveness to credit and community needs and CD initiatives supports this performance. Conclusions regarding the bank’s overall performance are consistent with the conclusions for the State of Illinois and the State of Arizona.

Investment and Grant Activity

PBTC has a significant level of qualified investments. Overall, the bank made 33 qualified investments and 17 qualified donations totaling \$45.2 million. Total CD investments represent 19.4 percent of the bank’s average total securities and 1.7 percent of the bank’s average total assets. This performance represents an increase in terms of dollars from the previous evaluation, although it is generally consistent with the percentage of average investments and assets. Specifically, at the previous evaluation, the bank made 48 investments and donations totaling \$35.2 million, representing 21.5 percent of the bank’s average total securities and 1.5 percent of the bank’s average total assets. Relative to the four SSBs, the bank’s performance exceeded the SSBs’ average

CD investment-to-securities ratio of 6.8 percent, which ranged from 2.1 to 13.0 percent; and the SSBs’ average investments-to-assets ratio of 1.4 percent, which ranged from 1.0 to 2.1 percent. Overall, 57 percent by number and 53 percent by dollar volume of qualified investments were in the Illinois assessment area. All but one of the investments are mortgage-backed securities that provide housing for LMI borrowers, while donations were primarily to community service organizations. The mortgage-backed securities supported 304 home mortgage loans to LMI borrowers. The following table details the CD investment performance by assessment area and CD category.

Qualified Investments by Assessment Area										
Assessment Areas	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois	18	23,899	0	0	1	250	0	0	19	24,149
Arizona	14	21,002	0	0	0	0	0	0	14	21,002
Subtotal	32	44,901	0	0	1	250	0	0	33	45,151
Donations	0	0	17	23	0	0	0	0	17	23
Total	32	44,901	17	23	1	250	0	0	50	45,174

Source: Bank Records

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit needs and community economic development. Virtually all of the bank’s investments are directed to the affordable housing needs within the assessment areas, which are salient needs identified in both of the bank’s assessment areas.

Community Development Initiatives

The institution rarely uses innovative or complex investments to support CD initiatives. All but one of the investments were comprised of mortgage-backed securities and donations, which are the type of investments that are frequently used by other financial institutions.

SERVICE TEST

PBTC demonstrated adequate performance under the Service Test. Conclusions regarding the bank’s overall performance are consistent with the conclusions for the State of Illinois and the State of Arizona.

Accessibility of Delivery Systems

The bank’s delivery systems are reasonably accessible to essentially all portions of the assessment areas. No offices are located in low-income census tracts and two offices (in Illinois) are located in moderate-income census tracts. While only two offices are located in moderate-income tracts, 18 offices are located either adjacent to or within one mile of a moderate-income tract.

The bank offers a variety of alternative delivery systems that increase the availability of its loan and deposit products. Most of these delivery systems utilize technology to provide customers with 24-hour access to customer accounts and products. The bank's website promotes its products and

services, offers 24-hour online account access, and provides links to a variety of outside resources. Alternate delivery systems also include deposit-taking ATMs, which are located at each of the bank’s branches, as well as nine additional bank-owned stand-alone ATMs. Other alternative services include telephone banking and mobile banking.

Changes in Branch Locations

The bank has not opened or closed any branch locations since the previous evaluation.

Reasonableness of Business Hours and Services

Retail services, including business hours, do not vary in a way that inconveniences portions of the assessment areas. The bank offers business hours generally comparable to the market, including Friday night and Saturday hours. Hours and services are consistent among all branches.

The bank offers a wide variety of loan and deposit products. Consumer products include checking, savings, money market, individual retirement accounts, certificates of deposit, installment loans, home equity loans, and home equity lines of credit. Commercial products include checking and savings accounts, managed investment accounts, remote deposit capture, merchant card services, commercial mortgages, commercial loans and lines of credit, construction financing, letters of credit, SBA loans (including PPP loans), and the recently added the Real Time Lending program for small businesses. Additionally, land trust services are offered in Illinois.

Community Development Services

Overall, the bank provides an adequate level of CD services. During the evaluation period, bank employees provided financial expertise or technical assistance to 81 CD-related organizations or activities in the assessment areas. Several of the services the bank provides are ongoing. The bank’s volume of qualified service activity is relatively consistent with the four SSBs, which varied from 42 to 758 CD activities. Numerous bank staff members provided financial education training, which is responsive to the credit needs in the assessment areas, as community contacts identified a need for financial literacy in the areas.

Community Development Services by Assessment Area					
AA	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Illinois	0	36	22	0	58
Arizona	0	23	0	0	23
TOTAL	0	59	22	0	81

Source: Bank Data

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

STATE OF ILLINOIS

CRA RATING FOR ILLINOIS: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ILLINOIS

The Illinois assessment area includes the entire counties of Cook, DuPage, Kane, and Lake. Cook and DuPage counties are part of the Chicago-Naperville-Evanston Metropolitan Division (MD); Kane County is part of the Elgin, IL MD; and Lake County is part of the Lake County-Kenosha County MD. All of the MD's are part of the Chicago-Naperville-Elgin IL-IN-WI Metropolitan Statistical Area (MSA).

Economic and Demographic Data

According to 2015 American Community Survey (ACS) data, the assessment area's 1,771 census tracts currently reflect the following income designations:

- 271 are low-income tracts;
- 450 are moderate-income tracts;
- 470 are middle-income tracts;
- 564 are upper-income tracts; and
- 16 census tracts have no income designation.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Illinois Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,771	15.3	25.4	26.5	31.9	0.9
Population by Geography	7,394,589	11.2	26.0	29.4	33.1	0.3
Housing Units by Geography	2,978,178	11.3	24.5	29.2	34.7	0.4
Owner-Occupied Units by Geography	1,662,681	5.0	20.0	33.1	41.8	0.2
Occupied Rental Units by Geography	1,033,266	17.9	30.4	24.9	26.1	0.7
Vacant Units by Geography	282,231	23.7	29.2	22.5	24.2	0.5
Businesses by Geography	563,384	5.2	16.5	27.6	50.1	0.5
Farms by Geography	7,391	4.1	18.3	34.4	43.1	0.1
Family Distribution by Income Level	1,732,650	24.7	16.5	18.1	40.7	0.0
Household Distribution by Income Level	2,695,947	26.4	15.5	16.8	41.2	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$75,024	Median Housing Value			\$252,291
Median Family Income MSA - 20994 Elgin, IL		\$80,899	Median Gross Rent			\$1,052
Median Family Income MSA - 29404 Lake County-Kenosha County, IL-WI		\$87,137	Families Below Poverty Level			11.2%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Notable changes reflected in the 2015 ACS data from the 2010 U.S. Census data include an increase in LMI geographies of 2.1 percentage points, a decrease in the median housing value of 15.2 percent to \$252,291, and an increase in the median gross rent of 11.0 percent to \$1,052.

According to 2020 D&B data, 563,384 non-farm businesses operated in the assessment area. The above tables indicate only 5.2 percent of the businesses are located in low-income geographies and 16.5 percent are located in moderate-income geographies. The analysis under the Geographic Distribution criterion compares the distribution of small business loans by geography to the percent of businesses located in each geography. This data highlights some of the challenges financial institutions may face in originating small business loans in these geographies.

Service industries represent the largest portion of businesses in the assessment area at 38.7 percent; followed by retail trade (11.0 percent); finance, insurance, and real estate (10.7 percent); and construction (5.8 percent). In addition, 59.0 percent of businesses have four or fewer employees, and 89.6 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the March 31, 2021 unemployment rate for the Chicago MSA, which includes Cook, DuPage, Kane, and Lake counties, was 7.9 percent. This is an increase from 4.8 percent as of December 31, 2017. Unemployment peaked in April 2020 at 15.8 percent at the beginning of the COVID-19 pandemic. While employment has

rebounded, it remains elevated from the previous evaluation. As of March 31, 2021, unemployment for the state of Illinois was 6.4 percent and for the nation was 5.5 percent.

Competition

PBTC's assessment area is highly competitive in the market for financial services. According to data obtained from the FDIC Deposit Market Share Report as of June 30, 2020, 134 financial institutions operate 1,893 offices within the assessment area. PBTC maintains a 0.4 percent deposit market share, ranking 25th among all institutions. Large, national financial institutions operating offices within the assessment area hold the majority of the market share. The market is highly fragmented. While the top five financial institutions control 61.5 percent of deposits, 119 institutions hold less than 1 percent of the market share.

Aggregate small business lending data provides insight into the level of demand for small business loans within the assessment area. Aggregate lending data for 2019 shows 238 lenders reported originating 210,186 small business loans, indicating a high degree of competition for this loan product. PBTC ranked 59th capturing 0.49 percent of the market share.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and CD needs. This information helps determine what opportunities are available and whether local financial institutions are responsive to these needs.

Examiners reviewed recent community contact interviews with representatives from two small business organizations in the assessment area to identify the credit and CD needs. The community contacts identified a need for small dollar business loans (loans from \$1,000 to \$100,000), and financial education for both individuals and business owners. One contact stated that the lack of financial education is a significant disadvantage in many LMI areas and has resulted in unmet banking outreach and service needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business loans, financial literacy, and affordable housing represent the primary credit needs for the assessment area.

The assessment area provides numerous opportunities for involvement in CD activities. The Chicago metropolitan area is home to many community-based organizations, Empowerment Zones, and Tax Increment Financing Districts. The State of Illinois and local communities sponsor various programs that support affordable housing, economic development, and revitalization and stabilization programs. Further, beginning in mid-2020 due to issues related to the COVID-19 pandemic, federal stimulus funds, including funding for loans through programs such as the SBA PPP, provided additional opportunities for banks to address CD needs.

SCOPE OF EVALUATION – ILLINOIS

Examiners conducted a full-scope review of this assessment area to evaluate the bank's CRA performance for the State of Illinois. As of March 31, 2021, the Illinois assessment area accounted for 81.3 percent of the bank's total lending, 75.0 percent of its offices, and 92.5 percent of its deposits.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS

LENDING TEST

The bank's lending performance evidences adequate responsiveness to the credit needs in its assessment area. This rating is derived after considering the following: adequate overall lending activity, adequate geographic distribution of loans, good loan distribution to businesses of difference sizes, a relatively high level of CD loans, and limited use of innovative or flexible lending practices.

Lending Activity

Lending levels within the Illinois assessment area reflect adequate responsiveness to assessment area credit needs. The bank conducts a majority of its lending and deposit activities through the branches located in Illinois.

During the review period, PBTC originated 755 small business loans totaling \$169.3 million. In 2019, the most recent year data is available, PBTC ranked 59th, among 238 reporting small business lenders operating within the assessment area, with a 0.6 percent market share by number volume and 0.49 percent by dollar volume. Additionally, the bank originated 47 CD loans totaling \$112.4 million in the Illinois assessment area.

PBTC's small business lending is consistent with its market presence as measured by deposits. PBTC ranked 25th of 134 depository institutions operating in the assessment area with a market share of 0.41 percent.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's performance is noted in the following table.

Geographic Distribution of Small Business Loans						
Illinois Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	5.2	4.1	9	4.9	3,166	4.5
2019	5.1	4.2	5	4.1	1,864	4.7
2020	5.2	--	8	1.8	2,243	3.8
Moderate						
2018	16.7	17.3	47	25.7	21,555	30.7
2019	16.5	17.2	22	18.0	10,404	26.2
2020	16.6	--	61	13.6	10,431	17.6
Middle						
2018	28.8	30.7	75	41.0	26,560	37.8
2019	28.0	30.6	46	37.7	12,635	31.8
2020	27.6	--	192	42.7	22,704	38.2
Upper						
2018	48.8	47.6	52	28.4	18,966	27.0
2019	49.8	47.7	48	39.3	14,764	37.2
2020	50.1	--	186	41.3	23,604	39.7
Not Available						
2018	0.6	0.3	0	0.0	0	0.0
2019	0.5	0.3	1	0.8	30	0.1
2020	0.5	--	3	0.7	413	0.7
Totals						
2018	100.0	100.0	183	100.0	70,247	100.0
2019	100.0	100.0	122	100.0	39,697	100.0
2020	100.0	--	450	100.0	59,395	100.0
<i>Source: 2018, 2019 & 2020 D&B Data; Bank Data; 2018 & 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2018, PBTC's performance slightly exceeded aggregate performance in low-income tracts, and significantly exceeded aggregate performance in moderate-income tracts. In 2019, while performance declined, PBTC's performance was generally consistent with aggregate performance in LMI tracts. While the bank's performance in LMI tracts further declined in 2020, a significant volume of PPP loans heavily impacted the performance. This is likely a one-time event and comparable aggregate data is not currently available. As comparable data is not available, it is impossible to determine if the bank's 2020 performance is unique to PBTC or the industry as a whole. Further, despite the decline in terms of percentage, in absolute terms, lending increased in LMI tracts. Given the bank's relatively strong performance in 2018 and 2019, which was similar to aggregate performance, overall, PBTC's geographic distribution is adequate.

Borrower Profile

The distribution of borrowers reflected good penetration among businesses of different sizes. Examiners focused on the percentage of small business loans to businesses with gross annual revenues of \$1 million or less. The following table provides details on PBTC’s performance in the Illinois assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Illinois Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2018	80.6	43.0	92	50.3	32,538	46.3
2019	83.7	48.3	69	56.6	22,681	57.1
2020	84.9	--	300	66.7	22,641	38.1
>\$1,000,000						
2018	8.3	--	88	48.1	37,148	52.9
2019	6.8	--	51	41.8	16,905	42.6
2020	6.1	--	148	32.9	36,644	61.7
Revenue Not Available						
2018	11.0	--	3	1.6	561	0.8
2019	9.5	--	2	1.6	111	0.3
2020	8.9	--	2	0.4	110	0.2
Totals						
2018	100.0	100.0	183	100.0	70,247	100.0
2019	100.0	100.0	122	100.0	39,697	100.0
2020	100.0	--	450	100.0	59,395	100.0
<i>Source: 2018, 2019 & 2020 D&B Data; Bank Data; 2018 & 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

PBTC’s lending performance to businesses with gross annual revenues of \$1 million or less trailed the percentage of businesses in this revenue category (demographic data) in all three years. However, demographic data represents all businesses in the area, not just those interested or capable of obtaining financing. Many businesses, especially the smallest of businesses, do not seek financing through traditional commercial lending products. However, aggregate data reflects the performance of all lenders in providing loans to small businesses and, as such, serves as a better comparison.

PBTC’s performance exceeded aggregate performance in both 2018 and 2019 by 7.3 and 8.3 percent respectively. Further, the bank’s 2020 penetration to small businesses increased to 10.1 percent over the 2019 results. While 2020 aggregate data is not available, the increase is notable. Given the PBTC’s strong performance relative to aggregate performance and the increasing trend in performance, the bank’s borrower distribution is good.

Innovative or Flexible Lending Practices

PBTC makes limited use of innovative and/or flexible lending practices to serve assessment area credit needs. The bank continues to offer small business loans through the SBA, including SBA 504 loans that have a primary purpose of economic development. In the Illinois assessment area, PBTC originated four SBA loans totaling \$11.3 million. PBTC also participated in the SBA's PPP, which was implemented in response to the COVID-19 pandemic. In the assessment area, PBTC originated 378 PPP loans totaling \$45.7 million in 2020, and another 205 PPP loans totaling \$23.6 million in 2021.

In December 2020, as previously mentioned, PBTC introduced the Real Time Lending program. This loan product is available online to commercial customers, and the applications are digitally completed and submitted, with an automated credit decision issued in just a few seconds. PBTC originated four loans totaling \$87,000 in the assessment area. All loans went to small businesses.

Community Development Loans

PBTC made a relatively high level of CD loans in the assessment area. PBTC's CD lending initiatives include affordable housing, economic development, and revitalization and stabilization of LMI geographies. In the assessment area, PBTC originated 47 CD loans totaling \$112.4 million, accounting for 69.0 percent of total CD loans during the evaluation period. In dollar terms, this is a significant increase from the previous evaluation where the bank reported 44 CD loans totaling \$56.6 million. Even when considering the impact of PPP loans on the bank's results (25 loans totaling \$14.0 million), the origination volume in dollars increased substantially from the previous examination. The following table details the number and dollar volume of CD loans originated during the review period.

Community Development Loans – Illinois Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	1	22,756	1	3,000	1	1,445	3	27,201
2019	2	13,733	0	0	0	0	0	0	2	13,733
2020	9	5,187	0	0	12	14,213	11	41,460	32	60,860
2021	3	1,030	0	0	7	9,529	0	0	10	10,559
Total	14	19,950	1	22,756	20	26,742	12	42,905	47	112,353

Source: Bank Records

The following loans are notable examples of PBTC's CD lending.

- Through the SBA's PPP program, PBTC provided ten loans totaling \$8.6 million to businesses in LMI geographies. All ten loans allowed these businesses to retain jobs during the COVID-19 pandemic.
- The bank provided a \$22.8 million loan to a local university. The university serves primarily LMI students.

- PBTC provided a \$9.1 million loan to construct a gas station in a moderate-income geography. The loan supports area revitalization efforts.
- PBTC provided a \$13.3 million loan to purchase a 184 unit multi-family property. Ninety percent of the units have rents below HUD Fair Market Rents for the area. The loan supports area affordable housing needs.

INVESTMENT TEST

PBTC demonstrated low satisfactory performance under the Investment Test in the Illinois assessment area. The institution provided a significant level of qualified investments and exhibited adequate responsiveness to CD investment needs.

Investment and Grant Activity

PBTC has a significant level of qualified investments in the Illinois assessment area. The bank made 19 qualified investments and 13 qualified donations totaling \$24.2 million. Overall, 57.6 percent by number and 53.5 percent by dollar volume of qualified investments were in the Illinois assessment area. The investments were primarily mortgage-backed securities that provide housing for LMI borrowers, while donations were primarily to community service organizations. The mortgage-backed securities supported 170 home mortgage loans to LMI borrowers. The following table details the institution’s investment performance by CD category.

Qualified Investments – Illinois Assessment Area												
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	13	9,659	0	0	1	250	0	0	0	0	14	9,909
2018	0	0	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0	0	0
2020	3	8,185	0	0	0	0	0	0	0	0	3	8,185
2021	2	6,055	0	0	0	0	0	0	0	0	2	6,055
Subtotal	18	23,899	0	0	1	250	0	0	0	0	19	24,149
Donations	0	0	13	15	0	0	0	0	0	0	13	15
Total	18	23,899	13	15	1	250	0	0	0	0	32	24,164

Source: Bank Records

Responsiveness to Credit and Community Development Needs

PBTC exhibits adequate responsiveness to credit and community development needs. The bank’s mortgage-backed securities support affordable housing, which is an identified credit need in the assessment area.

Community Development Initiatives

PBTC rarely uses innovative or complex investments to support community development initiatives. Mortgage-backed securities are common investments utilized by financial institutions.

SERVICE TEST

PBTC demonstrated low satisfactory performance under the Service Test in the Illinois assessment area. Performance under the CD Services and Reasonableness of Business Hours and Services primarily supports this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of PBTC’s assessment area. Of the bank’s 24 offices in the assessment area, PBTC has two branches located in moderate-income census tracts (8.3 percent), and the remaining 22 branches are located in middle- and upper-income census tracts. It should be noted that 13 of the aforementioned branches are adjacent to or within one mile of a moderate-income tract. In the assessment area, 2.9 and 18.4 percent of all banks’ branches are located in low- and moderate-income tracts respectively.

All bank facilities provide ATMs, and the majority of offices have convenient banking hours with extended hours on Friday and Saturday. PBTC also provides banking services through online banking and bill pay, telephone banking, person-to-person payments, and mobile deposit. As presented in the following table, the bank’s distribution of branches does not compare well to the demographic data. However, a majority of branch offices are in close proximity to moderate-income geographies. The location of the bank branches does not adversely affect the accessibility of its delivery systems.

Illinois Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	271	15.3	825,465	11.2	0	0.0	0	0.0
Moderate	450	25.4	1,926,567	26.0	2	8.3	2	6.1
Middle	470	26.5	2,173,785	29.4	11	45.8	20	60.6
Upper	564	31.9	2,447,971	33.1	11	45.8	11	33.3
NA	16	0.9	20,801	0.3	0	0.0	0	0.0
Total	1,771	100.0	7,394,589	100.0	24	100.0	33	100.0
<i>Source: 2015 ACS & Bank Records</i>								

Changes in Branch Locations

No branches have been opened or closed since the previous evaluation.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment area, particularly LMI geographies and individuals. All but two branches have drive-up facilities with extended hours, and all branches have Saturday hours. Branch hours are consistent with other banks. Overall, branch services are considered convenient and consistent with other financial institutions. Additionally, PBTC’s services are consistent with banking services offered by other banks in the assessment area

Community Development Services

PBTC has provided an adequate level of CD services. Bank employees participated in 58 qualified CD activities during the evaluation period. This level of services represents 71.6 percent of the bank's total qualified service activities, which is relatively consistent with the institution's operations in the Illinois assessment area. The following table highlights the number of CD services during the evaluation period.

Community Development Services – Illinois Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	-	15	4	-	19
2019	-	16	13	-	29
2020	-	5	5	-	10
YTD 2021	-	-	-	-	-
Total	-	36	22	-	58

Source: Bank Records

Qualified services primarily include employees serving on the Boards of Directors (Board), fundraising committees, and planning committees for numerous organizations with a primary purpose of CD, as well as providing financial literacy training to LMI individuals and small businesses. Some notable examples of the bank's CD services include the following:

- A bank officer serves on the Board of an organization that provides assistance to LMI individuals and families.
- A bank officer participated in a qualified organization's job search assistance program by performing mock interviews with clients and providing feedback on resumes and interviewing skills.
- A bank officer serves on the Board of an economic development organization that supports small businesses and job creation.
- A bank officer presented on numerous occasions the FDIC's Money Smart program to parents at an early childhood education program that primarily assists LMI families.

STATE OF ARIZONA

CRA RATING FOR ARIZONA: **SATISFACTORY**

The Lending Test is rated: **High Satisfactory**

The Investment Test is rated: **Low Satisfactory**

The Service Test is rated: **Low Satisfactory**

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

PBTC has one assessment area in the state of Arizona consisting of all census tracts in Maricopa County, which is one of two counties that comprise the Phoenix-Mesa-Chandler, Arizona MSA.

Economic and Demographic Data

According to 2015 ACS data, the assessment area's 916 census tracts reflect the following income designations:

- 105 are low-income tracts;
- 206 are moderate-income tracts;
- 286 are middle-income tracts;
- 306 are upper-income tracts; and
- 13 tracts have no income designation.

The following table illustrates select demographic characteristics of the assessment area.

Information of the Assessment Area						
Arizona Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	916	11.5	22.5	31.2	33.4	1.4
Population by Geography	4,018,143	11.1	22.9	31.3	34.4	0.3
Housing Units by Geography	1,668,555	9.8	23.4	33.3	33.4	0.1
Owner-Occupied Units by Geography	875,327	4.6	18.8	34.7	41.9	0.0
Occupied Rental Units by Geography	567,191	17.1	29.4	31.2	21.9	0.3
Vacant Units by Geography	226,037	11.8	25.6	33.2	29.3	0.2
Businesses by Geography	630,020	7.2	15.0	29.9	47.3	0.6
Farms by Geography	10,146	7.0	18.5	29.1	45.1	0.3
Family Distribution by Income Level	945,115	21.8	16.9	19.2	42.2	0.0
Household Distribution by Income Level	1,442,518	23.3	16.3	17.7	42.7	0.0
Median Family Income MSA - 38060 Phoenix-Mesa-Chandler, AZ MSA		\$63,686	Median Housing Value			\$203,811
			Median Gross Rent			\$993
			Families Below Poverty Level			12.6%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Notable changes reflected in the 2015 ACS data include an increase in families living below the poverty level by 2.6 percentage points, and the median housing value decreased 21.3 percent to \$203,811.

According to 2020 D&B data, 630,020 non-farm businesses operated in the assessment area. Service industries represent the largest portion of businesses at 33.3 percent; followed by finance, insurance, and real estate (11.6 percent); retail trade (7.7 percent); and construction (4.6 percent). In addition, 57.1 percent of businesses have four or fewer employees, and 95.3 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the March 31, 2021 unemployment rate for Maricopa County was 6.3 percent. This is an increase from 4.7 percent as of December 31, 2017. Unemployment peaked in April 2020 at 11.2 percent at the beginning of the COVID-19 pandemic. While employment has rebounded, it remains elevated from the previous evaluation. As of March 31, 2021, unemployment for the state of Arizona was 5.8 percent and for the nation was 5.5 percent.

Competition

PBTC's assessment area is highly competitive in the market for financial services. According to data obtained from the FDIC Deposit Market Share Report as of June 30, 2020, 59 financial institutions operate 735 offices within the assessment area. PBTC maintains a 0.12 percent deposit market share in the assessment area, ranking 37th among all institutions. Large, national financial

institutions operating offices within the assessment area hold the majority of the market share. The market is somewhat fragmented. While the top five financial institutions control 77.5 percent of deposits, 48 institutions hold less than 1 percent of the market share.

Aggregate small business lending data provides insight into the level of demand for small business loans within the assessment area. Aggregate lending data for 2019 shows 215 lenders reported originating 113,561 small business loans, indicating a high degree of competition for this loan product. PBTC ranked 83rd capturing 0.12 percent of the market share.

Community Contact

Examiners reviewed a recent community contact interview from a small business organization in the assessment area to identify credit and CD needs. The community contact identified a need for small business loans, including start-up capital, and financial education for small businesses.

Credit and CD Needs and Opportunities

The assessment area provides numerous opportunities for involvement in CD activities. Maricopa County is home to many community-based organizations, Empowerment Zones, and Tax Increment Financing Districts. The State of Arizona and local communities sponsor various programs that support affordable housing, economic development, and revitalization and stabilization programs. Further, beginning in mid-2020 due to issues related to the COVID-19 pandemic, federal stimulus funds, including funding for loans through programs such as the SBA PPP, provided additional opportunities for banks.

SCOPE OF EVALUATION – ARIZONA

Examiners conducted a full-scope review of this assessment area to evaluate the bank's CRA performance for the State of Arizona. As of March 31, 2021, the Arizona assessment area accounted for 4.8 percent of the bank's total lending, 25.0 percent of its offices, and 7.5 percent of its deposits.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA

LENDING TEST

The bank's lending performance evidences adequate responsiveness to the credit needs in its assessment area. The following performance supports this conclusion: adequate overall lending activity, adequate geographic distribution of loans, good loan distribution to small businesses, and a relatively high level of CD loans, with rare use of innovative or flexible lending practices.

Lending Activity

Lending levels within the Arizona assessment area reflect adequate responsiveness to assessment area credit needs. During the review period, PBTC originated 62 small business loans totaling \$10 million. PBTC ranked 83rd among 215 reporting small business lenders operating within the assessment area, with a 0.01 percent market share by number and 0.12 percent by dollar.

Additionally, the bank originated 20 CD loans totaling \$50.4 million in the Arizona assessment area. PBTC's small business lending is consistent with its market presence as measured by deposits. PBTC ranked 36th of 59 depository institutions operating in the assessment area with a market share of 0.12 percent.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. As noted in the following table, the bank's poor performance in low-income tracts was offset by adequate performance in moderate-income tracts.

Geographic Distribution of Small Business Loans						
Arizona Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	6.6	6.9	0	0.0	0	0.0
2019	6.2	6.8	0	0.0	0	0.0
2020	7.2	--	1	2.1	22	0.5
Moderate						
2018	16.3	16.5	0	0.0	0	0.0
2019	15.9	16.5	3	30.0	1,279	31.0
2020	15.0	--	9	19.1	1,240	29.8
Middle						
2018	28.3	26.8	1	20.0	885	51.9
2019	28.4	27.0	2	20.0	1,325	32.1
2020	29.9	--	6	12.8	1,266	30.4
Upper						
2018	48.3	49.3	4	80.0	821	48.1
2019	48.9	49.2	5	50.0	1,522	36.9
2020	47.3	--	31	66.0	1,630	39.2
Not Available						
2018	0.6	0.6	0	0.0	0	0.0
2019	0.5	0.6	0	0.0	0	0.0
2020	0.6	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	5	100.0	1,706	100.0
2019	100.0	100.0	10	100.0	4,126	100.0
2020	100.0	--	47	100.0	4,158	100.0
<i>Source: 2018, 2019 & 2020 D&B Data; Bank Data; 2018 & 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In low-income tracts, the bank did not originate any loans in 2018 or 2019 and only one loan in 2020. While there are a limited number of businesses in low-income tracts, aggregate data revealed that among all lenders, performance is generally consistent with the percentage of businesses. Considering these factors, PBTC's performance in low-income tracts was poor.

In moderate-income tracts, while no loans were originated in 2018, the bank's performance in 2019 significantly improved and exceeded aggregate performance. In 2020, the bank increased the number of loans to businesses in moderate-income tracts and performance exceeded the percentage of businesses. Given the increase trend in loans as well as the bank's performance relative to comparable data, overall, performance in moderate-income tracts is adequate.

Borrower Profile

The distribution of borrowers reflected good penetration among businesses of different sizes. The following table provides details on PBTC's performance in the Arizona assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Arizona Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2018	87.7	46.2	4	80.0	1,456	85.3
2019	89.7	49.6	7	70.0	2,547	61.7
2020	93.1	--	32	68.1	770	18.5
>\$1,000,000						
2018	4.3	--	1	20.0	250	14.7
2019	3.5	--	3	30.0	1,579	38.3
2020	2.3	--	15	31.9	3,388	81.5
Revenue Not Available						
2018	7.9	--	0	0.0	0	0.0
2019	6.9	--	0	0.0	0	0.0
2020	4.7	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	5	100.0	1,706	100.0
2019	100.0	100.0	10	100.0	4,126	100.0
2020	100.0	--	47	100.0	4,158	100.0
<i>Source: 2018, 2019 & 2020 D&B Data; Bank Data; 2018 & 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

PBTC's performance to business with gross annual revenues of \$1 million or less trailed demographic data in this revenue category in all three years. However, the demographic data represents all businesses in the area, not just those interested or capable of obtaining financing. Many businesses, especially the smallest of businesses, do not seek financing through traditional commercial lending products.

In both 2018 and 2019, PBTC’s performance significantly exceeded aggregate performance, albeit on a small number of loans. In 2020, the bank’s origination volume increased substantially. While aggregate data is not available for 2020, performance is consistent with the prior year. Considering PBTC’s performance relative to aggregate data in 2018 and 2019, as well as the increase in origination volume in 2020, overall the distribution of loans to small businesses is good.

Innovative or Flexible Lending Practices

PBTC makes little use of innovative and/or flexible lending practices to serve assessment area credit needs. The bank continues to offer small business loans through the SBA, including SBA 504 loans that have a primary purpose of economic development. However, the bank did not originate any SBA 504 or 7a loans during the review period. PBTC did participate in the SBA’s PPP. The bank originated 40 PPP loans totaling \$1.7 million in 2020, and another 15 totaling \$728,133 in 2021.

Community Development Loans

PBTC made a relatively high level of CD loans in the assessment area. PBTC’s CD lending initiatives include affordable housing, economic development, and revitalization and stabilization of LMI geographies. In the assessment area, PBTC originated 20 CD loans totaling \$50.4 million, accounting for 31.0 percent of the total CD loans. This is a significant increase from the prior evaluation where PBTC made only one CD loan totaling \$742,500. The level of CD lending exceeds the bank’s presence in the assessment area. The following table details the number and dollar volume of CD loans originated during the review period.

Community Development Loans – Arizona Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	17	18,440	17	18,440
2019	0	0	0	0	0	0	2	11,156	2	11,156
2020	1	20,821	0	0	0	0	0	0	1	20,821
2021	0	0	0	0	0	0	0	0	0	0
Total	1	20,821	0	0	0	0	19	29,596	20	50,417

Source: Bank Records

The following loans are notable examples of PBTC’s CD lending.

- The bank provided a \$20.8 million loan that supported the construction of 244 affordable housing units.
- The bank provided a developer with 16 loans totaling \$3.4 million to construct 16 single family homes in LMI geographies. The loans support area revitalization efforts.
- The bank provided a \$3.7 million loan to support property improvements for a strip mall located in a moderate-income geography. The loan supports area revitalization efforts.

INVESTMENT TEST

PBTC demonstrated low satisfactory performance under the Investment Test in the Arizona assessment area. Performance under the Investment and Grant Activity primarily supports this conclusion.

Investment and Grant Activity

PBTC has a significant level of qualified CD investments and grants. PBTC made 18 qualified donations and investments totaling \$21.0 million during the review period. The bank maintained nine prior period investments totaling \$5.0 million. Collectively, the Arizona assessment area represents 46.5 percent of the bank’s total qualified investment activity, which is a high volume relative to the size of the bank’s operations in this market.

The following table reflects the bank’s CD investment activity in the assessment area by type and year. The new investments were all in mortgage-backed securities that supported 134 mortgages to LMI borrowers within the assessment area.

Qualified Investments – Arizona Assessment Area												
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	9	5,045	0	0	0	0	0	0	0	0	9	5,045
2018	0	0	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0	0	0
2020	3	8,462	0	0	0	0	0	0	0	0	3	8,462
2021	2	7,495	0	0	0	0	0	0	0	0	2	7,495
Subtotal	14	21,002	0	0	0	0	0	0	0	0	14	21,002
Donations	0	0	4	8	0	0	0	0	0	0	4	8
Total	14	21,002	4	8	0	0	0	0	0	0	18	21,010

Source: Bank Records

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs. The bank’s investments are directed exclusively to affordable housing needs, which was an identified need in the Arizona assessment area.

Community Development Initiatives

The institution rarely uses innovative or complex investments to support CD initiatives. The investments were comprised of mortgage-backed securities and donations, which are the type of investments that are most frequently used by other financial institutions.

SERVICE TEST

PBTC demonstrated low satisfactory performance under the Service Test in the Arizona assessment area. Performance under Accessibility of Delivery Systems and Community Development Services primarily supports this conclusion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Arizona assessment area. There are eight branches within the Arizona assessment area, and each office maintains a deposit-taking ATM. While no offices are located in LMI census tracts, one is adjacent and four are within a mile of LMI geographies. By comparison, 5.2 percent and 16.8 percent, respectively, of all banks' branches in the assessment area are located in LMI geographies. The following table provides details on the area as well as PBTC's branches and ATMs.

Arizona Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	105	11.5	445,341	11.1	0	0.0	0	0.0
Moderate	206	22.5	920,593	22.9	0	0.0	0	0.0
Middle	286	31.2	1,257,267	31.3	3	37.5	3	37.5
Upper	306	33.4	1,382,555	34.4	5	62.5	5	62.5
NA	13	1.4	12,387	0.3	0	0.0	0	0.0
Total	916	100.0	4,018,143	100.0	8	100.0	8	100.0

Source: 2015 U.S. Census & Bank Records

Changes in Branch Locations

No branches have opened or closed since the previous evaluation.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment area, particularly LMI geographies and individuals. All banking services are available throughout the bank's branch network. Business hours do not vary in a way that inconveniences certain portions of the assessment area. Overall, branch services are considered convenient and consistent with other financial institutions.

Community Development Services

The bank provided an adequate level of CD services in the Arizona assessment area. During the evaluation period, the bank provided 23 qualified CD services. Bank officers serve on the Board of three qualified CD organizations on an ongoing basis, and employees provided financial literacy training to LMI individuals. PBTC partnered with three area organizations to provide financial education programs, including the FDIC Money Smart program, to LMI individuals and children in the Arizona assessment area. The bank's activity in the Arizona assessment area represents 28.4 percent of the bank's total qualified service activity, which is relatively consistent with the size of the bank's operations in this market in terms of branches. The following table illustrates PBTC's CD services by year and purpose.

Community Development Services – Arizona Assessment Area						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2018	-	2	-	-	-	2
2019	-	10	-	-	-	10
2020	-	11	-	-	-	11
YTD 2021	-	-	-	-	-	-
Total	-	23	-	-	-	23
<i>Source: Bank Records</i>						

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

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

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

Investment Test

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

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

Service Test

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

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

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

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

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Illinois	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Arizona	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

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

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

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

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

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

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

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

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

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