

# **PUBLIC DISCLOSURE**

April 1, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Parkway Bank and Trust Company  
Certificate Number: 19008

4800 N Harlem Ave  
Harwood Heights, Illinois 60706

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 area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

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

**The Lending Test is rated Low Satisfactory.**

- Lending levels reflect adequate responsiveness to credit needs in the assessment areas.
- A substantial percentage of loans were originated in the bank'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 bank, adequate penetration among business customers of different sizes.
- The bank has made an adequate level of community development loans.
- The bank makes limited use of innovative and/or flexible lending practices in order to serve credit needs in the assessment areas.

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

- The bank has a significant level of qualified community development investments and grants.
- The bank exhibits adequate responsiveness to credit and community development needs.
- The bank rarely uses innovative and/or complex investments to support community development initiatives.

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

- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas.
- The institution provides an adequate level of community development services.

## DESCRIPTION OF INSTITUTION

Parkway Bank and Trust Company (PBTC) is wholly owned by Parkway Bancorp, Inc., a one-bank holding company. PBTC's headquarters is in Harwood Heights, Illinois, and it does not have any affiliates. The institution received a Satisfactory rating at its previous FDIC Performance dated June 7, 2021, based on Interagency Large Institution Examination Procedures.

PBTC operates 28 full-service branches, including 24 offices in Cook, DuPage, Kane, and Lake Counties in Illinois and four in Maricopa County in Arizona. Branch locations in Illinois consists of one office in a moderate-income census tract, 14 in middle-income census tracts, and nine in upper-income census tracts. The bank's branch locations in Arizona consists of two in middle-income census tracts and two in upper-income census tracts. Between October 2022 and September 2023, management closed four branches in Arizona, including two in middle-income census tracts and two in upper-income census tracts. The bank did not open new branches since the previous evaluation. No merger or acquisition activities have occurred since the prior examination.

The bank offers a variety of loan and deposit products to serve both consumer and business customers. Commercial loan products include business acquisition, working capital, equipment, lines of credit for real estate, and other business needs. The bank also offers commercial loans under the United States Small Business Administration (SBA) lending programs. Consumer loan products include; home equity lines of credit, consumer secured and unsecured loans. PBTC continues to offer a variety of deposit services including checking, savings, money market deposit accounts, certificates of deposit, and retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, merchant deposit capture, and 42 bank-owned automated teller machines (ATMs).

According to the December 31, 2023 Consolidated Report of Condition and Income (Call Report), PBTC reported \$3.4 billion in total assets, \$2.6 billion in total loans, \$2.7 billion in total deposits, and total securities of \$299.3 million. Since the previous evaluation, the increase in the loan portfolio is largely attributed to the origination of multifamily lending, commercial and industrial loans, as well as construction and land development loans. The following table provides detailed information about the loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/2023</b>		
Loan Category	\$(000s)	%
Construction and Land Development	177,058	6.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	25,944	1.0
Secured by Multifamily (5 or more) Residential Properties	797,400	30.1
Secured by Nonfarm Nonresidential Properties	1,026,833	38.8
<b>Total Real Estate Loans</b>	<b>2,027,235</b>	<b>76.6</b>
Commercial and Industrial Loans	618,593	23.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	985	0.0
Obligations of States and Political Subdivision in the United States	0	0.0
Other Loans	76	0.0
Unearned Income	0	0.0
<b>Net Loans</b>	<b>2,646,889</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income; Due to rounding, percentages may not total 100.0.</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more assessment area within which its CRA performance will be evaluated. PBTC has two designated assessment areas located throughout the states in which it operates, as summarized in the following table.

<b>State</b>	<b>Metropolitan Statistical Area (MSA)/Metropolitan Division (MD)</b>	<b>Counties</b>	<b>Assessment Area Name</b>
Illinois	Chicago -Naperville -Elgin IL -IN -WI MSA	Cook, DuPage, Kane, and Lake	Illinois
Arizona	Phoenix-Mesa-Chandler, Arizona MSA	Maricopa	Arizona

These assessment areas remain unchanged since the prior evaluation and do not arbitrarily exclude any low- or moderate-income (LMI) census tracts, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA regulations.

PBTC originated the largest percentage of its small business loans, attracted the largest percentage by dollar volume of deposits (as of June 30, 2023), and operated the largest percentage of branches in the State of Illinois. As such, the State of Illinois received substantially more weight when drawing conclusions.

<b>Assessment Area Name</b>	<b>% of # Loans in Assessment Area</b>	<b>% of Loans by \$ Volume</b>	<b>% of \$ Deposits</b>	<b>% of # Branches</b>
Illinois	91.8	93.8	91.5	85.7
Arizona	8.2	6.2	8.5	14.3

A more detailed discussion of each assessment areas, including economic and demographic data, competition, and community contacts, can be found in the separate assessment area sections of this evaluation.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated June 7, 2021, to the current evaluation dated April 1, 2024. 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 Investment Test, and the Service Test. Refer to the Appendices for a description of these tests.

As described in more detail in the Description of Assessment Area section of this evaluation, examiners evaluated the bank’s Illinois and Arizona assessment areas using full-scope examination procedures, as PBTC maintains one assessment area in each state. Consistent with the higher concentration of loans, deposits, and branches in the area, examiners weighed the performance in the Illinois assessment area more significantly than the Arizona assessment area.

This evaluation includes an overall rating, a State of Illinois rating and a State of Arizona rating, in accordance with Interstate Banking and Branching Efficiency Act of 1994 (IBBEA). In accordance with Interagency CRA procedures, examiners must conduct a full-scope review on at least one assessment area in each state.

### **Activities Reviewed**

The CRA Evaluation is based upon a review of small business loans, as they are the primary business focus of the bank. As small farm, home mortgage loans, consumer, or any other loan types do not account for a significant portion of loans, they were not reviewed.

PBTC is not required to collect or report home mortgage data under the Home Mortgage Disclosure Act (HMDA). While examiners considered home mortgage loans, the volume primarily consists of loans to finance investment properties, which makes drawing conclusions difficult, particularly given that originated loans are divided between two assessment areas. When considering the inability to draw relevant conclusions from the data, examiners did not present home mortgage lending in this performance evaluation.

Examiners evaluated the bank's small business lending performance using small business loan data for 2021, 2022, and 2023 collected and reported pursuant to the CRA data collection requirements. PBTC originated or purchased 363 small business loans totaling \$59.6 million in 2021, 194 small business loans totaling \$55.3 million in 2022, and 188 small business loans totaling \$46.1 million in 2023. The originated loans in 2021 included 185 SBA's Paycheck Protection Program (PPP) totaling \$13.9 million. 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.

Examiners compared the bank's small business lending performance against 2021 and 2022 aggregate small business loan data. The 2023 aggregate small business lending data was not available for review as of the evaluation date. In addition, examiners also considered business demographic data from D&B for all years when drawing conclusions. Examiners placed greater weight on the aggregate lending data because it provides better insight into lending opportunities within the bank's assessment areas.

For the Lending Test, examiners reviewed the number and dollar volume of small business loans. Examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals and businesses served, as well as provides a better assessment of lending opportunities. Performance by dollar did not lead to different conclusions.

For evaluating community development activities, bank management provided data on community development loans, qualified community development investments, and community development services since the prior CRA evaluation dated June 7, 2021. Examiners also included prior period investments that remain on the bank's books as of April 1, 2024.

Examiners gave greater consideration in this evaluation to the bank's lending and community development performance within the Illinois assessment area. Examiners based this determination through discussions with management regarding banking strategies, as well as considerations for assessment area sizes, branch locations, lending activity, and credit and community development

needs and available opportunities. The Illinois assessment area contains more banking offices, a greater deposit base, and higher lending levels than the Arizona assessment area for small business loans. This is supported by the assessment area descriptions and lending analyses in this evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

This performance evaluation includes a review of the bank's retail and community development lending performance, qualified investment activity, and retail and community development services. In addition, given the bank has branch locations in more than one state, examiners followed the requirements defined in the IBBEA. 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 institution's lending performance is low satisfactory given the assessment areas credit needs, the bank's financial capacity, business focus, and innovative lending practices. This conclusion is primarily driven by the lending performance in the Illinois assessment area, as it accounts for 93.8 percent by dollar volume of the bank's overall lending and a significant majority of PBTC's operations.

Examiners placed more weight on the geographic distribution of loans, borrower profile, and community development lending criteria, as well as performance in the Illinois assessment area when drawing conclusions. These criteria measure the bank's effectiveness in meeting the credit needs of small businesses and low- and moderate-income areas, which is the primary focus of CRA. A discussion of the overall conclusions for each of the performance criteria under which PBTC was evaluated is below. Please refer to the separate analyses within each assessment area for more detail of the bank's performance.

#### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to the credit needs of the assessment areas. During the evaluation period, PBTC originated 683 small business loans totaling \$136.7 million within its assessment areas. Furthermore, PBTC originated 39 community development loans totaling \$101.2 million during the evaluation period. The bank's lending activity in both the Illinois and Arizona assessment areas is adequate. A complete discussion of the performance for this criterion is in corresponding state sections of this evaluation.

#### **Assessment Area Concentration**

PBTC originated a significant majority of its loans by both number and dollar volume within its assessment areas. The following table reflects the bank's small business loans inside and outside the assessment areas. The increase in small business loans in 2021 is attributed to the previously discussed PPP loans, and excludes PPP loans for amounts greater than \$1 million.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2021	346	95.3	17	4.7	363	54,330	91.1	5,334	8.9	59,664
2022	169	87.0	25	13.0	194	41,719	75.5	13,539	24.5	55,258
2023	168	89.4	20	10.6	188	40,673	88.2	5,442	11.8	46,115
Total	683	91.7	62	8.3	745	136,722	84.9	24,315	15.1	161,037
Source: Bank Data. Due to rounding, totals may not equal 100.0%										

## **Geographic Distribution**

PBTC's geographic distribution of small business loans reflects adequate penetration throughout the assessment areas. Examiners focused on the bank's record of lending in low- and moderate-income census tracts. The bank's adequate performance in the Illinois and Arizona assessment areas supports this conclusion.

## **Borrower Profile**

PBTC's distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among business customers of different sizes. The bank's adequate performance in both the Illinois and Arizona assessment areas supports this conclusion.

## **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 as compared to conventional loans and help borrowers who might not otherwise qualify for credit. During the review period, PBTC originated 12 SBA loans totaling \$11.3 million. The bank also originated 185 PPP loans in loan amounts of \$1 million or less totaling \$13.9 million in 2021.

PBTC continues to offer its internally developed Real Time Lending (RTL) loan program. This loan product is available online only for commercial customers, and the maximum amount for a line of credit or term loan is \$75,000. Digitally submitted loan applications take only a few minutes to complete, and an automated credit decision issued in just a few seconds. Customers' loan funds will be available within one to two business days. Over the review period, PBTC originated 119 RTL loans totaling \$5.3 million, with a significant majority (95 percent) of them made to small businesses with revenues of \$1 million or less.

## **Community Development Loans**

PBTC made an adequate level of community development loans in its assessment areas. Examiners only considered loans that have a community development purpose and are not reported as small business loans. The bank originated 39 community development loans totaling \$101.3 million during the evaluation period. This level of performance represents 4.3 percent of average net loans, based on the 11 quarters since the previous evaluation. The bank's level of community development activity decreased by number and dollar volume from the previous evaluation.



PBTC's performance is comparable to five similarly situated banks (SSBs) that were recently evaluated for CRA. These SSBs had community development loans-to-average net loans ratios ranging from 4.0 to 7.5 percent. PBTC's performance falls within the SSBs range and is consistent with SSBs that received low satisfactory ratings in their recent CRA evaluations. The following table details the bank's community development loans by assessment area and community development category.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Illinois	26	23,500	0	0	1	1,068	8	24,792	35	49,360
Arizona	0	0	0	0	0	0	4	51,924	4	51,924
<b>Total</b>	<b>26</b>	<b>23,500</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,068</b>	<b>12</b>	<b>76,716</b>	<b>39</b>	<b>101,284</b>
<i>Source: Bank Records</i>										

PBTC's community development loans helped finance affordable housing, revitalization and stabilization efforts in moderate-income areas. The loans were responsive to the credit needs identified in the assessment areas.

## **INVESTMENT TEST**

PBTC demonstrated adequate performance in the Investment Test. Low satisfactory performance in both Illinois and Arizona assessment areas supports this conclusion.

### **Investment and Grant Activity**

PBTC has a significant level of qualified community development investments and donations. The bank has \$51.1 million in qualified investments and \$26,280 in qualified donations. This level of qualified investments represents 32.2 percent of average total securities and 15.3 percent of average equity capital based on the 11 quarters since the previous evaluation. This level is an increase from the previous evaluation when PBTC reported qualified donations and investments of \$45.1 million.

PBTC's qualified community development investments were compared to the performance of the SSBs referenced in the community development lending section. The SSBs had community development investments-to-total average securities ratios ranging between 1.7 and 9.3 percent, while the qualified investments-to-total average equity capital ratios of the SSBs ranged between 8.8 and 16.7 percent. PBTC's ratios relative to securities and equity capital are largely higher than most SSBs, and are consistent with SSBs that received high satisfactory ratings in recent CRA evaluations. The following tables provide additional details regarding the bank's investment and donation activity by assessment area and community development category.

Community Development Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Illinois	22	26,912	0	0	1	250	0	0	23	2,7162
Arizona	19	23,942	0	0	0	0	0	0	19	23,942
<b>Subtotal</b>	<b>41</b>	<b>50,854</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>51,104</b>
Grants & Donations	0	0	14	26	0	0	0	0	14	26
<b>Total</b>	<b>41</b>	<b>50,854</b>	<b>14</b>	<b>26</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>51,130</b>
<i>Source: Bank Records</i>										

The bank made 12 new investments in mortgage-backed securities totaling approximately \$23.7, while retaining 30 prior period investments totaling \$27.4 million during the evaluation period. The investments are primarily mortgage-backed securities that supported housing for over 300 mortgage loans to low- and moderate- income borrowers, while donations were primarily to community service organizations.

### **Responsiveness to Credit and Community Development Needs**

PBTC exhibits adequate responsiveness to credit and community economic development needs, considering its performance in both the Illinois and Arizona assessment area. Bank investments support affordable housing, which is a need identified in both of the bank's assessment areas.

### **Community Development Initiatives**

PBTC rarely uses innovative or complex investments to support community development initiatives. The investments primarily consist of mortgage-backed securities and donations, which are the type of investments frequently used by financial institutions.

### **SERVICE TEST**

PBTC demonstrated adequate performance under the Service Test. The bank's low satisfactory performance in both the Illinois and Arizona assessment areas support this conclusion.

### **Accessibility of Delivery Systems**

PBTC's delivery systems are reasonably accessible to essentially all portions of its assessment areas. The bank operates 28 branches with 24 branches in the Illinois assessment area and four in the Arizona AA. The bank has one branch in a moderate-income census tract, 16 in middle income-census tracts, and 11 in upper-income census tracts. While only one office is in a moderate-income census tract, 15 branches are adjacent to or within close proximity to low- and moderate-income census tracts. The majority of branches have convenient banking hours with extended hours on Friday and Saturday.

PBTC offers a variety of alternative delivery systems that increase the availability of its loan and deposit products. These delivery systems utilize technology to provide customers with 24-hour access to accounts and product information. Alternate delivery systems also include deposit-taking ATMs located at each of the bank's branches. Other alternative services include telephone banking and mobile banking.

### **Changes in Branch Locations**

Over the review period, PBTC closed four branches in Arizona. Two of the closures occurred in middle-income census tracts and two in upper-income census tracts between October 2022 and September 2023. The closing of these branches did not adversely affect low- and moderate-income geographies, as these locations were not located near large concentrations of low- or moderate-income census tracts.

### **Reasonableness of Business Hours and Services**

Services (including business hours) do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals. Business hours are generally comparable to the market, including extended hours at most locations. The bank's operating hours and services do not vary significantly from branch-to-branch, or hours and services offered by other banks operating within the bank's assessment areas.

PBTC offers a wide variety of loan and deposit products. Retail products include checking, savings, money market, individual retirement accounts, certificate of deposit accounts, consumer loans, 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, SBA loans and the bank's RTL product. Additionally, the bank offers land trust services in Illinois.

### **Community Development Services**

PBTC provides an adequate level of community development services. During the evaluation period, bank employees and management participated in 94 different qualifying community development services across both assessment areas. Many of the services involve recurring activities, with bank employees and management, providing technical assistance to various qualifying organizations. Bank personnel 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 assessment areas.

Examiners compared PBTC's community development services to the performance of the same five SSBs referenced in the community development lending and investment sections. The bank's community development services were in line with the number of services provided by the SSBs, which varied from 12 to 866 community development services. The following table highlights the number of community development services provided during the evaluation period.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
<b>Illinois</b>	<b>0</b>	<b>81</b>	<b>1</b>	<b>0</b>	<b>82</b>
<b>Arizona</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>12</b>
<b>Total</b>	<b>0</b>	<b>93</b>	<b>0</b>	<b>0</b>	<b>94</b>
<i>Source: Bank Records</i>					

Qualified services primarily include employees serving on the Boards of Directors (Board), on fundraising committees, and on planning committees for numerous organizations with a primary purpose of community development. Bank employees also provided financial literacy training to low- and moderate-income individuals.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## **ILLINOIS ASSESSMENT AREA – Full-Scope Review**

### **CRA RATING FOR ILLINOIS: SATISFACTORY**

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

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

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

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS**

PBTC conducts a substantial majority of its operations and lending activities in the Illinois assessment area. According to FDIC Deposit Market Share data as of June 30, 2023, the bank derives 91.5 percent of the deposit base from this assessment area. 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). The bank has one branch in a moderate-income census tract, 14 in middle-income census tracts, and nine in upper-income census tracts throughout the assessment area.

#### **Economic and Demographic Data**

The assessment area includes all 1,815 census tracts in Cook, DuPage, Kane, and Lake Counties. Examiners used demographic data from 2020 U.S. Census data to analyze the banks CRA performance in 2022 and 2023, as well as annual D&B data for each year. According to 2020 U.S. Census Data, the assessment area’s census tracts reflect the following income designations: 236 (13.0 percent) low-income census tracts; 433 (23.9 percent) moderate-income tracts; 543 (29.9 percent) middle-income census tracts; 581 (32.0 percent) upper-income census tracts; and 22 (1.2 percent) census tracts with no income designation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,815	13.0	23.9	29.9	32.0	1.2
Population by Geography	7,439,282	10.0	24.1	32.3	33.0	0.6
Housing Units by Geography	3,013,692	10.2	23.1	32.1	34.0	0.5
Owner-Occupied Units by Geography	1,709,754	5.2	19.6	35.4	39.5	0.3
Occupied Rental Units by Geography	1,056,563	16.0	28.1	28.5	26.6	0.9
Vacant Units by Geography	247,375	20.6	25.6	25.0	27.9	0.8
Businesses by Geography	963,212	6.3	17.6	30.2	45.3	0.6
Farms by Geography	11,500	5.4	20.4	33.5	40.3	0.4
Family Distribution by Income Level	1,737,536	24.1	16.6	18.8	40.5	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$92,622	Median Housing Value			\$291,214
Median Family Income MSA - 20994 Elgin, IL		97,326	Median Gross Rent			\$1,244
Median Family Income MSA - 29404 Lake County-Kenosha County, IL-WI		105,876	Families Below Poverty Level			8.5%
Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

While not presented, the demographic characteristics of the assessment area according to 2015 ACS data were similar in nature to the 2020 U.S. Census data with the following exceptions noted regarding census tracts, median housing value, and families below poverty level. According to 2015 ACS data, the assessment area had a total of 1,771 census tracts; low-income census tracts were 15.2 percent; moderate-income census tracts were 25.4 percent; middle-income census were 26.5 percent; upper-income census tracts were 32.0 percent; and census tracts with no income designation were 0.9 percent. Median housing value increased to \$291,214 from \$252,291 and families below poverty level decreased to 8.5 percent from 11.2 percent. Examiners utilized 2015 ACS data in conjunction with relevant D&B data to analyze the bank's performance in 2021.

The Chicagoland area maintains a strong commercial base with a high concentration of small businesses. According to 2023 D&B data, 963,212 non-farm businesses operate in the assessment area, of which 871,441 or 90.5 percent reported gross annual revenues (GARs) of \$1 million or less. The high percentage of non-farm businesses with GARs of less than \$1 million in the assessment area indicates that opportunities exist to extend loans to small businesses.

Among all non-farm businesses, the services industry represents the largest segment of businesses in the assessment area at 33.5 percent, followed by finance, insurance and real estate (10.8 percent), retail trade (9.1 percent), transportation (6.3 percent) and construction (5.3 percent). In addition, 58.1 percent of businesses within the assessment area have four or fewer employees and 93.4 percent operate from a single location, highlighting the prevalence of small businesses within the assessment area.

The U.S. Bureau of Labor Statistics indicates that unemployment rates in the assessment area began improving in 2021, from a high in 2020, as result of the COVID-19 pandemic. The following table outlines the unemployment rates.

Unemployment Rates				
Area	2020	2021	2022	2023
	%	%	%	%
Cook County, IL	10.6	6.9	5.0	4.4
DuPage County, IL	7.6	4.5	3.6	3.3
Kane County, IL	9.3	6.0	4.5	5.0
Lake County, IL	8.2	5.4	4.2	4.9
Illinois	9.3	6.1	4.6	4.4
National Average	8.1	5.3	3.6	3.6
<i>Source: Bureau of Labor Statistics.</i>				

## **Competition**

The assessment area reflects a highly competitive market for deposits and loans. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 126 financial institutions operating 1,695 offices within the assessment area. PBTC ranked 23<sup>rd</sup> maintaining 0.5 percent of the deposit market share. Large, national financial institutions operating offices within the assessment area hold the majority of the market share. The top five financial institutions control 62.3 percent of deposits, with 111 institutions hold less than 1.0 percent of the market share.

Competition for small business loans is also highly competitive. Aggregate small business lending data serves as an indicator of both competition and demand for small business lending in the assessment area. In 2022, the most recent data available, 262 lenders subject to CRA reporting requirements originated 224,371 small business loans totaling \$8.3 billion. The top three lenders accounted for 55.9 percent of the market share by number. PBTC ranked 55<sup>th</sup> capturing less than 0.1 percent of the market share by number and 0.5 percent by dollar volume.

## **Community Contacts**

As part of the evaluation process, examiners contact third parties active within the assessment area to assist in identifying credit needs and opportunities within the assessment. This information helps assess whether local financial institutions are responsive to those needs. For this evaluation, examiners reviewed two recent community contacts with non-profit organizations focusing on economic development within the bank's assessment area. The contacts stated that needs exist for small business lending, capital to fund new and ongoing projects, affordable housing, and financial literacy.

## **Credit and Community Development Needs and Opportunities**

Considering the information from the community contacts and demographic data, examiners determined that there are community development needs for small business lending to support existing and new start-up businesses, along with needs for affordable housing and financial literacy in the assessment area.

The assessment area provides numerous opportunities for involvement in community development activities. The Chicago metropolitan area contains empowerment zones and tax increment financing districts that are designated by local or state government entities for revitalization, stabilization, or economic development. These areas were established to stimulate economic activities that include job preservation and creation, and business and residential development.

Additionally, the State of Illinois and local community organizations sponsor various programs to support affordable housing and small business lending initiatives.

## **SCOPE OF EVALUATION – ILLINOIS**

The scope of the evaluation within the Illinois assessment area is consistent with the overall scope described earlier for the entire institution. Examiners reviewed the bank's 2021, 2022 and 2023 small business loans, and applicable community development loans, community development investments, and community development services since the previous evaluation dated June 7, 2021. The bank's assessment area in the State of Illinois (referred to as the Illinois assessment area) is based upon the full-scope evaluation of the bank's performance. Refer to the overall Scope section for further details.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS**

### **LENDING TEST**

The Lending Test rating is Low Satisfactory in the Illinois rated area. Adequate overall lending activity, adequate geographic distribution of loans, adequate loan distribution to businesses of different sizes, adequate level of community development loans, and limited use of innovative or flexible lending practices support this rating.

#### **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 627 small business loans totaling \$128.2 million within the Illinois assessment area. According to the most recent aggregate data available, in 2022, PBTC ranked 55<sup>th</sup> among 262 reporting small business lenders operating in its assessment area, with a less than 0.1 percent market share by number of loans and 0.5 percent by dollar volume. Additionally, the bank originated 35 community development loans totaling approximately \$49.4 million in the assessment area.

PBTC's small business lending is consistent with its market presence as measured by deposits. The bank ranked 23<sup>rd</sup> of 126 depository institutions operating in the assessment area with 0.5 percent of the deposit market share.

#### **Geographic Distribution**

The geographic distribution of small business loans reflects adequate penetration throughout the Illinois assessment area. The bank's performance was measured against aggregate lending data and the percentage of businesses (demographic) by census tract income level. Examiners focused on aggregate lending data as it provides a better assessment of demand in the assessment area, and represents all small business loans extended within the assessment area by all lenders subject to CRA data collection requirements.



PBTC's performance in low-income census tracts trailed aggregate performance and the demographic in 2021, and declined slightly in 2022; however, the bank's performance rebounded in 2023. Opportunities are limited based on the low level of businesses in low-income census tracts, and the bank faces a high level of competition in this geographical area.

PBTC's performance in moderate-income census tracts trailed aggregate performance and the demographic in 2021 and 2022. Though performance in 2022 declined slightly from 2021, it did not decline as much as aggregate. Bank performance then rebounded in 2023, exceeding the demographic. Additionally, there is significant competition in the immediate two air miles from the bank's main office, where 34 banking locations exist, operated by 20 large national and regional banks.

When considering aggregate performance, improvement in moderate-income census tracts, and the level of competition, PBTC's overall performance is adequate. The following table reflects the distribution of small business loans by census tract income level.

Geographic Distribution of Small Business Loans Illinois Assessment Area						
Tract Income Level	% of Business	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	6.5	7.5	6	1.9	1,808	3.6
2022	6.4	5.1	4	2.6	1,073	2.7
2023	6.3	--	5	3.2	1,078	2.8
Moderate						
2021	18.0	20.4	49	15.4	9,982	19.9
2022	17.6	17.1	23	14.8	8,213	20.5
2023	17.6	--	34	22.1	8,693	22.9
Middle						
2021	27.1	29.4	135	42.5	22,001	43.9
2022	30.3	33.8	75	48.4	17,950	44.8
2023	30.2	--	75	48.7	18,740	49.3
Upper						
2021	47.9	42.4	124	39.0	15,798	31.5
2022	45.1	43.5	51	32.9	12,367	30.9
2023	45.3	--	38	24.7	9,049	23.8
Not Available						
2021	0.5	0.3	4	1.3	499	1.0
2022	0.6	0.4	2	1.3	474	1.2
2023	0.6	--	2	1.3	460	1.2
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>318</b>	<b>100.0</b>	<b>50,088</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>155</b>	<b>100.0</b>	<b>40,077</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>154</b>	<b>100.0</b>	<b>38,020</b>	<b>100.0</b>
Source: 2021, 2022, and 2023 D&B Data; Bank Data; CRA 2021 & 2022 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Borrower Profile**

The distribution of small business loans reflects adequate penetration among businesses of different sizes throughout the Illinois assessment area. The bank's performance was measured against aggregate lending data and the percentage of businesses with GAR of \$1 million or less (demographic). Examiners focused on aggregate lending data as it provides a better assessment of demand in the assessment area, and represents all small business loans extended within the assessment area by all lenders subject to CRA data collection requirements.

PBTC's performance to businesses exceeded aggregate data in 2021, while trailing aggregate data in 2022. The bank's performance trailed 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.

It is important to note that all loans in the ‘revenue not available’ category were originated under the bank’s RTL product where 95 percent of the loans were to businesses with GAR of \$1 million or less. When considering these factors and aggregate data, the bank’s performance is adequate. The following table reflects the distribution of small business loans by business revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Illinois Assessment Area						
Borrower Income Level	% of Business	Aggregate Performance %	#	% of #	\$(000s)	%
<=\$1,000,000						
2021	86.7	43.0	204	64.2	25,269	50.4
2022	89.6	53.2	64	41.3	19,942	49.8
2023	90.5	--	58	37.7	16,484	43.4
>\$1,000,000						
2021	5.1	--	99	31.1	24,372	48.7
2022	3.9	--	48	31.0	18,036	45.0
2023	3.6	--	59	38.3	19,614	51.6
Revenue Not Available						
2021	8.2	--	15	4.7	447	0.9
2022	6.5	--	43	27.7	2,099	5.2
2023	5.9	--	37	24.0	1,922	5.1
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>318</b>	<b>100.0</b>	<b>50,088</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>155</b>	<b>100.0</b>	<b>40,077</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>154</b>	<b>100.0</b>	<b>38,020</b>	<b>100.0</b>
<i>Source: 2021, 2022, and 2023 D&amp;B Data; Bank Data; CRA 2021 &amp; 2022 Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

### **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. PBTC originated 11 SBA loans totaling \$11.3 million. In addition, in 2021 PBTC originated 164 SBA's PPP loans, totaling 12.4 million in the Illinois assessment area.

The bank continues to originate loans under its RTL product, which is available online to commercial customers for an automated credit decision. Within the Illinois assessment area, PBTC originated 15 loans in 2021 totaling \$447 thousand 43 loans in 2022 totaling \$2.1 million, and 37 in 2023 totaling \$1.9 million. A significant majority of these loans were to small businesses with GARs of \$1 million or less.

### **Community Development Loans**

PBTC has made an adequate level of community development loans. The bank originated or renewed 35 community development loans totaling approximately \$49.4 million within the Illinois assessment area during the evaluation period. This activity represents 48.7 percent of the bank’s total qualified community development lending activity by dollar amount. This volume of lending

in dollar terms is a decline from the previous examination when PBTC originated 47 loans totaling \$112.3 million. The following table provides information regarding the number and volume of community development loans.

Community Development Lending – Illinois Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021	6	3,265	0	0	1	1,068	2	3,237	9	7,570
2022	12	5,377	0	0	0	0	4	15,508	16	20,885
2023	6	12,408	0	0	0	0	1	1,120	7	13,528
Year-to-Date (YTD) 2024	2	2,450	0	0	0	0	1	4,927	3	7,377
<b>Total</b>	<b>26</b>	<b>23,500</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,068</b>	<b>8</b>	<b>24,792</b>	<b>35</b>	<b>49,360</b>
<i>Source: Bank Records</i>										

The bank’s community development lending initiatives have been responsive to the community development needs of the assessment area as a majority support affordable housing and revitalization and stabilization of moderate-income areas. Examples of the institution’s community development loans in the assessment area include:

- Affordable housing loans comprised of about 425 housing units with rental rates affordable for low- and moderate-income families.
- A \$5.0 million loan to a long-term care facility that specializes in services to individuals with a severe mental illness to help them transition to more independent living and return to healthy productive lives.
- A \$12.1 million loan for the acquisition of a shopping center in a moderate-income census tract to allow the development company to attract additional tenants, which will create additional jobs in the community.

## INVESTMENT TEST

The Investment Test is rated Low Satisfactory in the Illinois rated area. The bank provided a significant level of qualified investments, exhibited adequate responsiveness to community development needs, and rarely uses innovative or complex investments.

### Investment and Grant Activity

PBTC has a significant level of qualified community development investments and grants. Overall, the bank held \$27.1 million investments in this assessment area. This level of investments is higher than the volume of investments reported at the last examination. Investments during the review period include \$11.3 million in new funds and 18 prior period community development investments totaling \$15.8 million. The bank also provided eight qualified donations, totaling \$7,000 to organizations with a primary purpose of community development.

PBTC’s performance level by dollar volume is adequate considering its performance in comparison to its presence in the assessment area and the level of opportunities available. The following table provides information regarding the number and volume of community development investments.

Community Development Investments – Illinois Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	17	15,614	0	0	1	250	0	0	18	15,864
2021	1	1,818	0	0	0	0	0	0	1	1,818
2022	0	0	0	0	0	0	0	0	0	0
2023	4	9,480	0	0	0	0	0	0	4	9,480
YTD 2024	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>22</b>	<b>26,912</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>2,7162</b>
Grants & Donations	0	0	8	7	0	0	0	0	8	7
<b>Total</b>	<b>22</b>	<b>26,912</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>27,169</b>
<i>Sources: Bank data</i>										

The investments are primarily mortgage-backed securities that provide housing for low- and moderate-income borrowers. The new mortgage-backed securities supported 45 home mortgage loans to low- and moderate-income borrowers.

### **Responsiveness to Credit and Community Development Needs**

PBTC exhibits adequate responsiveness to credit and community development needs. Community contacts noted a need for affordable housing, and a majority of the bank's investments assist in addressing these needs.

### **Community Development Initiatives**

PBTC rarely uses innovative or complex investments to support community development initiatives. Mortgage-backed securities as described previously are common investments vehicles used by financial institutions.

### **SERVICE TEST**

The Servicer Test is rated Low Satisfactory in the Illinois rated area. Performance under the Community Development Services, Reasonableness of Business Hours and Services, and Community Development Services primarily supports this conclusion.

### **Accessibility of Delivery Systems**

PBTC's delivery systems are reasonably accessible to essentially all portions of the assessment area. PBTC's main office is in Harwood Heights, Illinois; and the bank operates 23 additional offices in the Illinois assessment area. The following table provides the distribution of the branch locations by census tract income levels:

Branch Distribution by Tract Income Level								
Tract Income Level	Census Tracts		Population		All Branches		PBTC Branches	
	#	%	#	%	#	%	#	%
Low	236	13.0	745,082	10.0	79	4.6	0	0.0
Moderate	433	23.9	1,790,058	24.1	305	17.8	1	4.2
Middle	543	29.9	2,405,866	32.3	587	34.3	14	58.3
Upper	581	32.0	2,454,914	33.0	734	42.8	9	37.5
NA	22	1.2	43,362	0.6	9	0.5	0	0.0
<b>Total</b>	<b>1,815</b>	<b>100.0</b>	<b>7,439,362</b>	<b>100.0</b>	<b>1,714</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census ACS; 2022 Peer Deposit Data; Bank data</i>								

The distribution of the bank's offices significantly trails the population demographics in low- and moderate-income geographies; however, the distribution of other bank offices in the market is a better indicator of the opportunities for supporting retail branches within the various tract income segments. The bank has no branches in low-income areas and its moderate-income branch distribution significantly trails the branch concentrations by other banks in the market. It is important to note that 13 of the PBTC's branches are adjacent to or within one mile of low and moderate-income census tracts. All bank facilities provide ATMs, and the majority of offices have convenient banking hours with extended hours on Friday and Saturday.

As discussed previously, PBTC continues to offer 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 product information. The bank offers internet and mobile banking services to pay bills, transfer funds, and communicate with bank personnel.

Based on the proximity of branches to moderate-income census tracts and the availability of alternative delivery systems, examiners concluded that PBTC's delivery systems are reasonably accessible to essentially all portions of the assessment area.

### **Changes in Branch Locations**

PBTC has not opened or closed any branches in the Illinois assessment area since the previous evaluation.

### **Reasonableness of Business Hours and Services**

Services, including business hours do not vary in a way that inconveniences portions of the assessment, particularly low- and moderate-income geographies and/or individuals. Business hours are generally comparable to the market, including extended hours at most offices. The bank's operating hours and services do not vary significantly from branch-to-branch or hours and services offered by other banks operating within the bank's assessment area. Overall, branch hours are comparable with other local financial institutions operating in the areas in which PBTC's branches are located.

## **Community Development Services**

PBTC provides an adequate level of community development services. During the evaluation period, bank employees and management participated in 82 different qualifying community development services in the assessment area. This level of services represents 87.2 percent of the bank's total qualified service activities, which is relatively consistent with PBTC's presence in this assessment area. Many of the services involve recurring activities, with bank employees and management, providing repeat technical assistance to different qualifying organizations. The following table highlights the number of community development services during the evaluation period.

<b>Community Development Services – Illinois Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
2021	0	6	0	0	<b>6</b>
2022	0	12	0	0	<b>12</b>
2023	0	43	1	0	<b>44</b>
Year-to-Date (YTD) 2024	0	20	0	0	<b>20</b>
<b>Total</b>	<b>0</b>	<b>81</b>	<b>1</b>	<b>0</b>	<b>82</b>
<i>Source: Bank Records</i>					

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 community development, as well as providing financial literacy training to low- and moderate-income individuals. Some notable examples of the bank's CD services include the following:

- 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 organization that provides assistance to low- and moderate-income individuals and families.
- Member of management provided free income tax preparation for LMI residents throughout tax season.
- A bank officer serves on the Board of an economic development organization that supports small businesses and job creation.

## ARIZONA ASSESSMENT AREA – Full-Scope Review

### CRA RATING FOR ARIZONA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN ARIZONA.

The Arizona assessment area consists of all census tracts in Maricopa County, which is part of the Phoenix-Mesa-Chandler, Arizona MSA. According to FDIC Deposit Market Share data as of June 30, 2023, the bank derives 8.5 percent of the deposit base from this assessment area. The bank has two branches located in middle-income census tracts, and two in upper-income census tracts.

#### Economic and Demographic Data

The assessment area includes all 1,009 census tracts Maricopa County. Examiners used demographic data from 2020 U.S. Census data and D&B Data, to analyze the bank’s CRA Performance. According to 2020 U.S. Census Data, the assessment area’s census tracts reflect the following income designations: 64 (6.3 percent) low-income census tracts; 259 (25.7 percent) moderate-income tracts; 314 (31.1 percent) middle-income census tracts; 348 (34.5 percent) upper-income census tracts; and 24 (4.4 percent) census tracts with no income designation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,009	6.3	25.7	31.1	34.5	2.4
Population by Geography	4,420,568	5.8	25.6	32.6	35.4	0.6
Housing Units by Geography	1,765,880	5.4	26.5	33.5	34.3	0.4
Owner-Occupied Units by Geography	1,008,487	2.6	20.6	34.7	41.9	0.1
Occupied Rental Units by Geography	588,297	10.0	35.6	31.6	22.1	0.7
Vacant Units by Geography	169,096	5.6	29.3	32.5	32.0	0.6
Businesses by Geography	1,047,857	4.0	18.2	28.5	48.8	0.5
Farms by Geography	17,296	4.4	20.4	30.2	44.4	0.7
Family Distribution by Income Level	1,047,899	20.4	17.9	20.0	41.7	0.0
Median Family Income MSA - 38060 Phoenix-Mesa-Chandler, AZ MSA		\$78,930	Median Housing Value			\$292,183
Families Below Poverty Level		9.1%	Median Gross Rent			\$1,221
Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

While not presented, the demographic characteristics of the assessment area according to 2015 ACS data were similar in nature to the 2020 U.S. Census data with the following exceptions noted regarding census tracts, median housing value, and families below poverty level. According to 2015 ACS data, the assessment area had a total of 916 census tracts; low-income census tracts comprised 11.5 percent; moderate-income census tracts comprised 22.5 percent; middle-income census comprised 31.2 percent; upper-income census tracts comprised 33.4 percent; and NA census tracts comprised 1.4 percent. The median housing value increased to \$292,183 from \$203,811, and



families below the poverty level decreased to 9.1 percent from 12.6 percent. According to 2023 D&B data, 1,047,857 non-farm businesses operate in the assessment area, of which 983,104 or 93.8 percent reported GARs of \$1 million or less. The percentage of non-farm businesses with GARs of less than \$1 million in the assessment area indicates that opportunities exist to extend loans to small businesses.

Among all non-farm businesses, the services industry represents the largest segment of businesses in the assessment area at 35.4 percent, followed by finance, insurance and real estate (13.7 percent), retail trade (7.9 percent), construction (4.8 percent), and transportation (3.8 percent). In addition, 63.4 percent of businesses within the assessment area have four or fewer employees and 96.7 percent operate from a single location. This highlights the prevalence of small businesses within the assessment area.

The U.S. Bureau of Labor Statistics indicates that unemployment rates in the assessment began improving in 2021, from their high in 2020, as result of the COVID-19 pandemic. The following table outlines the unemployment rates.

Unemployment Rates				
Area	2020	2021	2022	2023
	%	%	%	%
Maricopa County, AZ	7.8	4.6	3.3	3.3
Arizona	7.8	5.1	3.8	3.8
National Average	8.1	5.4	3.6	3.6

*Source: Bureau of Labor Statistics.*

## **Competition**

The assessment area reflects a highly competitive market for deposits and loans. According to the FDIC Deposit Market Share data as of June 30, 2023 there were 58 financial institutions operating 645 offices within the assessment area. PBTC Bank ranked 33<sup>rd</sup> maintaining 0.1 percent of the deposit market share. Large, national financial institutions operating offices within the assessment area hold the majority of the market share. While the top four financial institutions control 79.0 percent of deposits, 49 institutions hold less than 1 percent of the market share.

Competition for small business loans is also highly competitive. Aggregate small business lending data serve as an indicator of competition and demand for small business lending in the assessment area. In 2022, the most recent data available, 239 lenders subject to CRA reporting requirements originated 135,358 small business loans totaling \$3.9 billion. The top three lenders accounted for 54.0 percent of the market share by number. PBTC ranked 87<sup>th</sup> capturing less than 0.1 percent of the market share by number and less than 0.1 percent by dollar volume.

## **Community Contacts**

As part of the evaluation process, examiners contact third parties active within the assessment area to assist in identifying credit needs and opportunities within the assessment. This information helps assess whether local financial institutions are responsive to those needs. For this evaluation, examiners reviewed two recent community contacts with non-profit organizations focusing on economic development, small business, community development services, and affordable housing

within the bank's assessment area. The contacts stated needs exist for small business lending including micro-loans, residential properties with affordable rent, and financial literacy.

### **Credit and Community Development Needs and Opportunities**

Considering the information from the community contacts and demographic data, examiners determined that there are community development needs for small business lending, affordable housing, and financial literacy for small businesses and retail customers in the assessment area.

## **SCOPE OF EVALUATION – ARIZONA**

Examiners conducted a full scope review of the Arizona assessment area. The scope of the evaluation of the bank's performance in the State of Arizona is consistent with the overall scope described earlier for the entire institution. Examiners reviewed the bank's 2021, 2022, and 2023 small business loans, and community development loans, community development investments, and community development services since the previous evaluation dated June 7, 2021.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA**

### **LENDING TEST**

The Lending Test is rated Low Satisfactory in the Arizona rated area. The following performance supports this conclusion: adequate lending activity, adequate borrower distribution, a relatively high level of community development loans, and limited 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 56 small business loans totaling \$8.5 million. The most recent aggregate data available in 2022 reflects PBTC ranked 87<sup>th</sup> among 239 reporting small business lenders operating within the assessment area, with less than 0.1 percent market share by number of loans and less than 0.1 percent by dollar volume. Additionally, the bank originated four community development loans totaling approximately \$51.9 million in the Arizona assessment area.

PBTC's small business lending is consistent with its market presence as measured by deposits. The bank ranked 33<sup>rd</sup> of 58 depository institutions operating in the assessment area with just over 0.1 percent of the deposit market share.

### **Geographic Distribution**

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. The bank's performance was measured against aggregate lending data and the percentage of businesses (demographic) by census tract income level. Examiners focused on aggregate lending data as it provides a better assessment of demand in the assessment area, and it represents all small business loans extended within the assessment area by all lenders subject to CRA data collection requirements.

PBTC's performance in low-income census tracts trailed aggregate and demographic data in 2021. The bank did not originate any loans in 2022 or 2023 in low-income census tracts. While a limited number of businesses are located in low-income census 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 is poor.

PBTC's performance in moderate-income census tracts exceeded both aggregate performance and the demographic in 2021; however, the bank did not originate any loans in 2022 or 2023 within moderate-income census tracts. When considering the bank's lack of lending in moderate-income census tracts and consistency of aggregate performance with the percentage of businesses in moderate-income census tracts, PBTC's performance is poor. The following table reflects the distribution of small business loans by census tract income level.

<b>Geographic Distribution of Small Business Loans Arizona Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Business</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2021	7.0	6.6	1	3.6	2	0.0
2022	4.0	3.6	0	0.0	0	0.0
2023	4.0	--	0	0.0	0	0.0
Moderate						
2021	15.2	16.2	6	21.4	1,097	25.9
2022	18.3	17.8	0	0.0	0	0.0
2023	18.2	--	0	0.0	0	0.0
Middle						
2021	29.5	27.7	8	28.6	1,505	35.5
2022	28.2	28.6	0	0.0	0	0.0
2023	28.5	--	2	14.3	100	3.8
Upper						
2021	47.8	48.9	13	46.4	1,638	38.6
2022	48.9	49.3	14	100.0	1,642	100.0
2023	48.8	--	12	85.7	2,553	96.2
Not Available						
2021	0.5	0.7	0	0.0	0	0.0
2022	0.6	0.7	0	0.0	0	0.0
2023	0.5	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>4,242</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,642</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>14</b>	<b>100.0</b>	<b>2,653</b>	<b>100.0</b>
<i>Source: 2021, 2022, and 2023 D&amp;B Data; Bank Data; CRA 2021 &amp; 2022 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

## **Borrower Profile**

The distribution of small business loans reflects adequate penetration among businesses of different sizes throughout the Arizona assessment area. The bank's performance was measured against aggregate lending data and the percentage of businesses with GAR of \$1 million or less (demographic). Examiners focused on aggregate lending data as it provides a better assessment of demand in the assessment area, and represents all small business loans extended within the assessment area by all lenders subject to CRA data collection requirements.

PBTC's performance to businesses slightly trailed aggregate data in 2021, and significantly trailed aggregate data in 2022. Performance also trailed the demographic in all three years; however, this 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.

It is also important to note that originated loans in the Revenue Not Available category include one loan in 2021, eight loans in 2022, and seven loans in 2023 that were originated under the bank's RTL program, where all loans were to businesses with GAR of \$1 million or less. When considering these factors and aggregate data, the bank's performance is adequate. The following table reflects the distribution of small business loans by business revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Arizona Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Business</b>	<b>Aggregate Performance %</b>	<b>#</b>	<b>% of #</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	92.1	48.0	13	46.4	626	14.8
2022	93.0	54.2	3	21.4	877	53.4
2023	93.8	--	4	28.6	1,199	45.2
<b>&gt;\$1,000,000</b>						
2021	1.8	--	14	50.0	3,591	84.7
2022	1.5	--	3	21.4	550	33.5
2023	1.4	--	3	21.4	1,230	46.4
<b>Revenue Not Available</b>						
2021	6.1	--	1	3.6	25	0.6
2022	5.5	--	8	57.1	215	13.1
2023	4.8	--	7	50.0	224	8.4
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>4,242</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,642</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>14</b>	<b>100.0</b>	<b>2,653</b>	<b>100.0</b>
<i>Source: 2021, 2022, and 2023 D&amp;B Data; Bank Data; CRA 2021 &amp; 2022 Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

## **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. PBTC did not originate any SBA 504 loans in this assessment area, while it originated 17 SBA's PPP loans, totaling \$1.1 million in the Arizona assessment area.

The bank continues to originate loans under its RTL program, which is available online to commercial customers for an automated credit decision. PBTC originated one loan in the amount of \$25 thousand in 2021, eight loans totaling \$215 thousand in 2022, and seven loans in 2023 totaling \$224 thousand. All of these loans were to small businesses in the assessment area.

### **Community Development Loans**

PBTC has made a relatively high level of community development loans. The bank originated or renewed four community development loans totaling approximately \$51.9 million within the Arizona assessment area during the evaluation period. This activity represents 51.3 percent of the bank's total qualified community development lending activity. This volume of lending in dollar terms is slightly higher than the previous examination when PBTC made a relatively high level of community development loans as well, originating 20 loans totaling \$50.4 million. The following table provides information regarding the number and volume of community development loans.

<b>Community Development Lending – Arizona Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	3	17,149	3	17,149
2023	0	0	0	0	0	0	1	34,775	1	34,775
Year-to-Date (YTD) 2024	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>51,924</b>	<b>4</b>	<b>51,924</b>
<i>Source: Bank Records</i>										

The bank's community development lending initiatives have been responsive to the community development needs of the area, as these support the revitalization and stabilization of moderate-income areas. The loan in the amount of \$34.7 million is for the construction of a 149-unit apartment community that will contribute to the viability of the neighborhood it is located in.

### **INVESTMENT TEST**

The Investment Test is rated Low Satisfactory in the Arizona rated area. A significant level of qualified investments and donations activity, along with adequate responsiveness to credit and community development needs and rare use of innovative and complex investments primarily supports this conclusion.

### **Investment and Grant Activity**

PBTC has a significant level of qualified community development investments and donations. The bank held \$23.9 million investments in this assessment area. This level of investments is slightly higher than the volume of investments reported at the last examination. 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.

Investments during the review period include \$11.5 million in new funds and twelve prior period community development investments totaling \$11.6 million. The bank also provided six qualified donations totaling \$19,000 to organizations with a primary purpose of community development. The following table provides information regarding the number and volume of community development investments.

<b>Community Development Investments – Arizona Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Prior Period	12	11,572	0	0	0	0	0	0	12	11,572
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	5	10,253	0	0	0	0	0	0	5	10,253
YTD 2024	2	2,117	0	0	0	0	0	0	2	2,117
<b>Subtotal</b>	<b>19</b>	<b>23,942</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>23,942</b>
Grants & Donations	0	0	6	19	0	0	0	0	6	19
<b>Total</b>	<b>19</b>	<b>23,942</b>	<b>6</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>23,961</b>
<i>Source: Bank Records</i>										

The investments are primarily mortgage-backed securities that provide housing for low- and moderate-income borrowers. The new mortgage-backed securities supported 48 home mortgage loans to low- and moderate-income borrowers.

### **Responsiveness to Credit and Community Development Needs**

PBTC exhibits adequate responsiveness to credit and community development needs. Community contacts noted a need for affordable housing, and all of the bank's investments assist in addressing this need.

### **Community Development Initiatives**

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

### **SERVICE TEST**

The Service Test is rated Low Satisfactory in the Arizona rated area. Performance under the Community Development Services, Reasonableness of Business Hours and Services, and Community Development Services primarily supports this conclusion.

### **Accessibility of Delivery Systems**

PBTC delivery systems are reasonably accessible to essentially all portions of the assessment area. PBTC operates four offices in the Arizona assessment area. The following table provides the distribution of the branch locations by census tract income levels:

Branch Distribution by Tract Income Level								
Tract Income Level	Census Tracts		Population		All Branches		PBTC Branches	
	#	%	#	%	#	%	#	%
Low	64	6.3	256,201	5.8	16	2.5	0	0.0
Moderate	259	25.7	1,130,982	25.6	121	18.6	0	0.0
Middle	314	31.1	1,440,075	32.6	198	30.5	2	50.0
Upper	348	34.5	1,565,794	35.4	306	47.0	2	50.0
NA	24	2.4	27,516	0.6	9	1.4	0	0.0
<b>Total</b>	<b>1009</b>	<b>100.0</b>	<b>4,420,568</b>	<b>100.0</b>	<b>650</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census; 2022 Peer Deposit Data; Bank data</i>								

The bank has no branches in low- and moderate-income areas; however, the bank has two branches adjacent to concentrations of moderate-income census tracts.

As discussed previously, PBTC continues to offer 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 product information. The bank offers internet and mobile banking services to pay bills, transfer funds, and communicate with bank personnel.

Based on the proximity of branches to moderate-income census tracts and the availability of alternative delivery systems, examiners concluded that PBTC's delivery systems are reasonably accessible to essentially all portions of the assessment area.

### **Changes in Branch Locations**

PBTC's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate- income geographies and/or to low- and moderate income individuals. PBTC closed four branches in Arizona, two in middle-income census tracts and two in upper-income census tracts between October 2022 and September 2023. Closing of these branches did not adversely affect low- and moderate-income geographies, as they are not closely located near large concentrations of low- or moderate-income census tracts.

### **Reasonableness of Business Hours and Services**

Services, including business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. Banking services are available throughout the bank's branches. Overall, branch hours and services are comparable with other financial institutions operating within the bank's assessment area.

### **Community Development Services**

PBTC provides an adequate level of community development services. During the evaluation period, bank employees and management participated in 12 different qualifying community development services, representing 12.8 percent of all community development services provided by PBTC. This level is consistent with the bank's presence in the assessment area. Many of the services involve recurring activities, with bank management providing technical assistance and

financial literacy to two qualifying organizations. The following table illustrates information on the number of services provided in the assessment area.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
2021	0	1	0	0	<b>1</b>
2022	0	2	0	0	<b>2</b>
2023	0	4	0	0	<b>4</b>
Year-to-Date (YTD) 2024	0	5	0	0	<b>5</b>
<b>Total</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>12</b>
<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

<b>Rated Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>	<b>Rating</b>
Arizona	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Illinois	Low 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.