

# **PUBLIC DISCLOSURE**

September 18, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Murphy Bank  
Certificate Number: 25726

5180 North Palm Avenue, Suite 101  
Fresno, California 93704

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

25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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

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## INSTITUTION RATING

**INSTITUTION'S COMMUNITY REINVESTMENT ACT (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 (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

- Given the institution's size, financial condition, and AA's credit needs, the loan-to-deposit (LTD) ratio is more than reasonable.
- The institution made a majority of its small business loans and home mortgage loans within its AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- Given the demographics of the AAs, the distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels, including LMI.
- Since the prior evaluation, the institution did not receive any CRA-related complaints, therefore, this factor did not affect the Lending Test rating.

## DESCRIPTION OF INSTITUTION

Murphy Bank (MB) is a non-member, state-chartered commercial bank headquartered in Fresno, California. MB is not owned by a holding company. The institution does not have any banking-related affiliate or subsidiary relationships relevant to the CRA Evaluation. At the institution's prior FDIC CRA Performance Evaluation (PE) dated November 16, 2020, MB received a Satisfactory rating based on the Interagency Small Institution Examination Procedures.

The institution operates two full-service branch offices within the central region of California. One branch is located in the city of Fresno and the second branch is in the city of San Luis Obispo. Both branches are located in upper-income census tracts (CTs). During the evaluation period, MB did not open or close any branches. Furthermore, MB did not participate in any merger or acquisition activities.

MB's business focus has not changed since the prior evaluation. The institution is a specialized, niche lender with a narrow business focus on three specific areas: mobile or manufactured home lending, commercial trucking and vehicles lending, and small business and small farm operator lending. MB offers savings account and certificate of deposit products. MB has no alternative systems for delivering retail banking services, such as ATMs, online banking, checking/transaction accounts, or mobile banking.

The MB Reports of Condition and Income as of June 30, 2023, reflects approximately \$377.7 million in total assets, \$323.7 million in total loans, and \$310.4 million in total deposits. No material changes to the financial condition of the institution have occurred since the previous examination. The distribution of the bank's loan portfolio is shown in the following table.

Loan Portfolio Distribution as of 06/30/2023		
Loan Category	\$ (000s)	%
Construction, Land Development, and Other Land Loans	2,835	0.9
Secured by Farmland	2,621	0.8
Secured by 1-4 Family Residential Properties	43,491	13.4
Secured by Multifamily (5 or more) Residential Properties	253	0.1
Secured by Nonfarm Nonresidential Properties	12,303	3.8
<b>Total Real Estate Loans</b>	<b>61,503</b>	<b>19.0</b>
Commercial and Industrial Loans	105,219	32.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	76,681	23.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	80,334	24.8
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>323,737</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREAS

MB delineated two AAs which comprise three entire counties in central California:

- The Fresno AA is comprised of Fresno and Madera Counties. Fresno County is wholly contained within the Fresno, California MSA #23420. Madera County is wholly contained in the Madera, California MSA #31460. Both MSAs are contained in the Fresno-Madera-Hanford, California CSA #260; however, they do not comprise the entirety of the CSA. The two counties are contiguous and were analyzed separately. Since the lending in each MSA was consistent during the review period, the two counties were combined and presented as the Fresno AA.
- The San Luis Obispo AA is comprised of San Luis Obispo County, which wholly constitutes the San Luis Obispo-Paso Robles, California MSA #42020.

Since the previous evaluation and as a result of the updated 2020 U.S. Census data, the Fresno AA had CT income designation changes that are discussed in the Fresno AA section. Based on 2020 U.S. Census data, the bank's AAs consist of 313 CTs. The following table details the counties, the number of CTs, and branches located within each AA.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Fresno AA	Fresno and Madera	259	1
San Luis Obispo AA	San Luis Obispo	54	1
<i>Source: Bank Data</i>			

Refer to each AA for additional details on the bank's operations and relevant economic, demographic, and competition information.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners used the Interagency Small Institution Examination Procedures to evaluate MB's CRA performance. The current evaluation covers the period from the prior PE dated November 16, 2020, to the current evaluation dated September 18, 2023. Examiners used full-scope examination procedures for the Fresno AA and limited-scope examination procedures for the San Luis Obispo AA. The Fresno AA is where MB is headquartered and where the majority of the institution's loans and deposits are concentrated. As a result, examiners placed more weight on the lending performance in the Fresno AA. At the prior evaluation, the San Luis Obispo AA was evaluated using full-scope examination procedures; therefore, the AA was evaluated using limited-scope procedures for this evaluation.

### **Activities Reviewed**

Examiners determined that MB's major product lines are small business loans and home mortgage loans. This conclusion primarily considered the bank's business lending strategy, loan portfolio composition, and the number and dollar of loans originated or purchased during the evaluation period. Examiners determined that small business lending remains the bank's primary lending focus and as such received more weight for determining conclusions than the institution's home mortgage lending activities. MB originated a nominal amount of small farm loans; therefore, this product was excluded from the evaluation as the low volume would not make for a meaningful analysis in the overall evaluation conclusions. Examiners noted that the majority of the institution's consumer loans are secured by manufactured homes and meet the definition of home mortgage loan under HMDA. Further, the majority of the institution's consumer loans secured by manufactured homes are reported on the institution's annual HMDA loan application registers. Therefore, the consumer loans are not analyzed or presented as a separate consumer loan product in this PE.

Examiners reviewed the universe of home mortgage loans originated or purchased from January 1, 2020, to December 31, 2022. MB originated 380 home mortgage loans totaling \$67.4 million, which consisted of 123 loans for \$20.5 million in 2020, 154 loans for \$27.4 million in 2021, and 103 loans for \$19.5 million in 2022. Examiners compared the institution's lending performance to 2015 ACS Census data; 2020 U.S. Census data; and 2020, 2021, and 2022 aggregate reported home mortgage lending data.

MB originated a universe of 594 small business loans totaling \$54.1 million in 2022. MB is not required to collect or report small business loan data. During the evaluation period, the bank did not collect small business loan data for CRA purposes. As a result, examiners analyzed a validated sample of 213 small business loans totaling \$19.5 million originated in 2022. Examiners selected an expanded sample based on a 5 percent precision level, meaning there is a 95 percent chance that the sample results will be within 5 percentage points of the true proportion for the criteria evaluated. Examiners confirmed with management that the 2022 sample lending performance is representative of the institution's true small business lending performance over the evaluation period. Therefore, only MB's 2022 sample small business loan data is presented for comparison purposes under the AA Concentration, Borrower Profile, and Geographic Distribution criteria Sections. Examiners compared MB's 2022 small business loans with the D&B percentage of businesses demographic data.

While both number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of demand and impact on the number of businesses and/or individuals served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

The Lending Test is rated Satisfactory. The geographic distribution and borrower profile performance primarily support this conclusion. Refer to each AA for more information.

#### Loan-to-Deposit Ratio

Given MB's size, financial condition, and AA credit needs, MB's average net LTD ratio is more than reasonable. Based on FFIEC Call Report data from December 31, 2020, to June 30, 2023, the LTD ratio averaged 100.7 percent over the past 11 quarters. The ratio ranged from a low of 98.8 percent as of September 30, 2022, to a high of 103.8 percent as of March 31, 2021. During the evaluation period, the LTD ratio remained relatively stable and consistent with the prior evaluation's level. Due to the MB's niche business and lending focus and competitor discussions with management, examiners identified a single similarly situated institution for the LTD ratio comparison.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2023 (\$000s)	Average Net LTD Ratio (%)
<b>Murphy Bank</b>	<b>377,698</b>	<b>100.7</b>
<b>Similarly-Situated Institution #1</b>	<b>1,131,288</b>	<b>99.6</b>
<i>Source: Reports of Condition and Income 12/31/2020 - 06/30/2023</i>		

## **Assessment Area Concentration**

During the evaluation period, MB made a majority of its loans by number and dollar volume within its AAs. Overall, the AA concentration decreased since the prior evaluation where the institution originated 57.9 percent by number and 63.7 percent by dollar volume within its AAs. It is noted that although marginally, MB's small business performance did not support the overall conclusion by number; however, percentages by number and dollar for the home mortgage lending supplanted MB's small business lending performance in the AAs. The following table shows the current performance by year and loan category.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside	Outside	\$	%	
Home Mortgage										
2020	65	52.8	58	47.2	123	13,241	64.7	7,213	35.3	20,454
2021	73	47.4	81	52.6	154	12,609	46.0	14,794	54.0	27,404
2022	58	56.3	45	43.7	103	11,792	60.5	7,708	39.5	19,500
<b>Subtotal</b>	<b>196</b>	<b>51.6</b>	<b>184</b>	<b>48.4</b>	<b>380</b>	<b>37,642</b>	<b>55.9</b>	<b>29,715</b>	<b>44.1</b>	<b>67,357</b>
Small Business										
2022	106	49.8	107	50.2	213	10,808	55.5	8,651	44.5	19,459

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

## **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. MB's geographic distribution performance in the San Luis Obispo AA is not consistent and below the institution's lending performance in the full-scope Fresno AA; however, the San Luis Obispo performance does not change the overall institution's geographic distribution conclusions.

## **Borrower Profile**

The distribution of loans reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels. MB's borrower profile performance in the San Luis Obispo AA is not consistent and below the institution's lending performance in the full-scope Fresno AA; however, the San Luis Obispo performance does not change the overall institution's borrower profile conclusions.

## **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

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

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

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

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN FRESNO ASSESSMENT AREA**

MB's Fresno AA is located in central California and includes the contiguous Fresno and Madera Counties. MB operates one branch in this AA. As a result of the 2020 U.S. Census data, the Fresno AA added 37 additional CTs since the previous examination. These CT changes include 10 more low-, 1 less moderate-, 16 more middle-, 13 more upper-, and 1 less CT with no income designation in the AA.

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

According to the 2020 U.S. Census data, the Fresno AA consists of 259 CTs of which there are 28 low-, 74 moderate-, 66 middle-, 90 upper-, and 1 tract with no income designation. The following table illustrates select demographic, housing, and business information within the Fresno AA.

Demographic Information of the Assessment Area						
Assessment Area: Fresno AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	259	10.8	28.6	25.5	34.7	0.4
Population by Geography	1,164,909	10.7	27.9	26.6	34.7	0.1
Housing Units by Geography	383,837	9.8	26.4	27.4	36.3	0.1
Owner-Occupied Units by Geography	195,690	5.2	18.5	27.4	48.9	0.0
Occupied Rental Units by Geography	158,886	15.5	36.9	26.5	20.8	0.2
Vacant Units by Geography	29,261	9.4	21.9	31.7	36.5	0.5
Businesses by Geography	82,250	7.8	21.3	28.8	41.2	0.9
Farms by Geography	4,717	4.8	20.7	33.7	40.7	0.1
Family Distribution by Income Level	259,017	24.0	16.6	17.6	41.8	0.0
Household Distribution by Income Level	354,576	25.6	15.8	16.2	42.4	0.0
Median Family Income MSA - 23420 Fresno, CA MSA		\$64,036	Median Housing Value			\$257,713
Median Family Income MSA - 31460 Madera, CA MSA		\$65,627	Median Gross Rent			\$1,064
			Families Below Poverty Level			16.4%
<i>Source: 2020 U.S. Census and 2022 D&amp;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.</i>						

According to 2022 D&B data, there were 100,928 businesses in the Fresno AA that reported gross annual revenues (GARs) as follows:

- 90.6 percent have gross annual revenues of \$1.0 million or less
- 2.9 percent have revenues of more than \$1.0 million
- 6.5 percent did not report revenues

The services industry represents the largest portion of businesses at 32.6 percent, followed by non-classifiable establishments at 20.9 percent, and retail trade at 11.5 percent. Additionally, 93.0 percent of area businesses operate from a single location while 64.6 percent have 4 or fewer employees.

The AA contains 383,837 housing units of which approximately 51.0 percent are owner-occupied, 41.4 percent are renter-occupied, and 7.6 percent are vacant. According to 2020 U.S. Census data, mobile homes represent 4.1 percent of the Fresno AA's total housing units. The Fresno AA has 16.4 percent of families living below the poverty level, which is elevated and a notable challenge to extend financing to low- or moderate-income individuals or families.

Annually the FFIEC updates median family incomes by MSA. For the Fresno AA the low-, moderate-, middle-, and upper-income categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Fresno, CA MSA Median Family Income (23420)</b>				
2020 (\$61,700)	<\$30,850	\$30,850 to <\$49,360	\$49,360 to <\$74,040	≥\$74,040
2021 (\$62,800)	<\$31,400	\$31,400 to <\$50,240	\$50,240 to <\$75,360	≥\$75,360
2022 (\$72,900)	<\$36,450	\$36,450 to <\$58,320	\$58,320 to <\$87,480	≥\$87,480
<b>Madera, CA MSA Median Family Income (31460)</b>				
2020 (\$59,400)	<\$29,700	\$29,700 to <\$47,520	\$47,520 to <\$71,280	≥\$71,280
2021 (\$62,900)	<\$31,450	\$31,450 to <\$50,320	\$50,320 to <\$75,480	≥\$75,480
2022 (\$75,500)	<\$37,750	\$37,750 to <\$60,400	\$60,400 to <\$90,600	≥\$90,600

Source: FFIEC

### *Fresno, California*

According to the July 2023 Moody's Analytics Report, the Fresno County business cycle is at risk of a business cycle contraction as the area's economy has lost momentum. Nonfarm employment growth has stalled, the private sector has receded, and several industry payrolls are flat or contracting. Labor force participation has diminished and the unemployment rate has increased since mid-2022. Low almond agricultural crop prices are hurting area farmers. Healthcare is a primary economic driver and supplier of high-wage jobs in the area. The local population has high poverty rates and a corresponding above average reliance on Medicaid. However, due to rising medical costs, local hospitals are not being adequately reimbursed from the state and federal authorities for Medicaid. Housing prices in Fresno are rising again due to supply constraints and shortages. Strengths of the area include lower relative costs compared to the state, steady population growth, above average housing price appreciation, and a central geographic location which appeals to warehouse, distribution, and transportation businesses. Weaknesses of the area include below average family income, high employment volatility, limited technology jobs, and a scarcity of educated workers. The top employers in the area include Community Medical Centers; Rulz Food Products, Inc.; Kaiser Permanente; Saint Agnes Medical Center; and California State University, Fresno.

### *Madera, California*

According to the July 2023 Moody's Analytics Report, the Madera County business cycle is at risk of a business cycle contraction. Few high-paying job opportunities combined with high business costs continue to hinder the Madera economy. The employment rates in the healthcare, state, and local government sectors are increasing. Healthcare employment in the area is above the state and national averages. Additionally, healthcare wages in the Madera metro area are higher than the average nonfarm industries wages. In late 2022, the Madera Community Hospital closed and dragged down hospital payrolls in 2023. The Madera metro area and economy is among the most reliant on agricultural goods, which are experiencing challenges from unfavorable almond market conditions and prices. Current nonfarm payrolls in the area have fallen, which is in contrast to the state's nonfarm payroll growth. Most industries in the area are encountering nominal employment rates. The area's unemployment rate continues to increase from the 2022 lows. Single family

housing price growth now trails the national average. Strengths of the area include state and local government employment and high housing affordability when compared to nearby metropolitan areas. Weaknesses of the area include higher business costs relative to other California metropolitan areas, low workforce education attainment, and a lack of area industrial diversity which contributes to high economic volatility. The top employers in the area include Valley State Prison, Valley's Children's Hospital, Mission Bell Winery, Walmart Inc., and San Joaquin Wine Co. Inc.

## **Competition**

The Fresno AA has a moderate level of competition for financial services. According to the FDIC Deposit Market Share Report as of June 30, 2022, there were 22 financial institutions that operated 130 branch offices within the Fresno AA. A number of regional and large national financial institutions operate in the AA. Of the institutions operating in the AA, MB maintains \$283.1 million in deposits and ranks 15<sup>th</sup> with a 1.4 percent deposit market share. The 3 largest financial institutions by deposit market share include Wells Fargo Bank, National Association (NA) at 19.7 percent; Bank of America, NA at 18.2 percent; and JPMorgan Chase Bank, NA at 12.0 percent. Collectively, the 3 largest financial institutions comprise 49.8 percent of total deposit market share within the AA.

The Fresno AA is a highly competitive market for home mortgage loans. According to 2020 aggregate home mortgage reported data, 615 lenders reported 77,450 home mortgage loans in the AA. By number of loans, MB ranked 225<sup>th</sup> with less than a 0.1 percent home mortgage loan market share. The top 3 lenders accounted for 20.3 percent of the total market share and include Quicken Loans, LLC; United Wholesale Mortgage, LLC; and Wells Fargo Bank, NA. According to 2021 aggregate home mortgage reported data, 619 lenders reported 83,783 home mortgage loans in the AA. By number of loans, MB ranked 215<sup>th</sup> with less than a 0.1 percent home mortgage loan market share. The top 3 lenders accounted for 19.4 percent of the total market share and included United Wholesale Mortgage, Rocket Mortgage, and Freedom Mortgage Corporation. According to 2022 aggregate reported data, 598 lenders reported 46,073 home mortgage loans in the AA. By number of loans, MB ranked 225<sup>th</sup> with less than a 0.1 percent home mortgage loan market share. The top 3 lenders accounted for 18.3 percent of the total market share and included United Wholesale Mortgage, Rocket Mortgage, and Educational Employees Credit Union.

## **Community Contacts**

Examiners conducted two new community contacts with non-profit Community Development Financial Institutions (CDFIs) that serve the Fresno AA. One of the contacts focuses on small farm and agricultural business lending to borrowers in rural areas throughout central California. The other contact provides business technical assistance and financing for startups through midsize businesses in underserved communities. Each contact stated that the Fresno area has a significant agricultural economy and is a large geographic area which attracts seasonal workers. As such, transportation and affordable housing are both challenges. One contact indicated that while Fresno housing is more affordable than the surrounding California urban areas, housing is underdeveloped, affordability continues to be a challenge, and there are opportunities for financial institution involvement. The contact continued that particularly in rural areas, bank consolidations and branch

closures have reduced residents' access to financial services, such as check cashing and deposits. As a result, payday lenders with unfavorable fees have been filling the void to cash checks. One contact stated that there is a credit need for partnerships to participate in bridge financing for commercial real estate project developments in the Fresno AA. The contact also commented that most traditional lenders are not willing to lend to startup businesses due to the perceived risks. The contact indicated that many start-up businesses do not fit into the traditional credit underwriting model or collateral requirements and as such, there is a substantial credit need for flexible financing options. Each contact indicated that small businesses in the area typically need several instances of smaller financing loan amounts or working lines of capital rather than a large, one-time loan. The contacts indicated their primary sources of capital funding is received from financial partnerships and federal or state agencies; however, the funding is becoming more competitive and constrained in the rising interest rate environment. The contacts indicated that financial institutions in the area have scaled back capital funding, investments, and donations to their respective organizations. One contact stated there are several opportunities to volunteer such as lending committee involvement or providing technical assistance to businesses. Each contact stated there is a substantial need for affordable lending and sources of capital to facilitate flexible business financing. Both contacts noted there is a significant need for nano-loans or micro-loans to assist businesses operating in the area.

### **Credit Needs**

Based on economic and demographic data, the community contacts, and bank information, examiners identified several credit needs and opportunities in the Fresno AA. Examiners determined that the primary credit needs for the area are affordable small business, small farm, and housing financing. The AA continues to have a need for flexible small business and small farm non-traditional, nano, or micro financing products. There are opportunities for lending, investments, or donations to nonprofit organizations or to CDFIs that support small businesses operating within the AA. Bankers have opportunities to volunteer and provide technical assistance or training to entrepreneurs and small businesses. The AA has credit needs and opportunities to facilitate affordable housing projects or development in the AA.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN FRESNO ASSESSMENT AREA**

### **LENDING TEST**

MB's Lending Test performance in the Fresno AA is reasonable.

### **Geographic Distribution**

Overall, the geographic distribution of loans in the Fresno AA is reasonable. The conclusion is primarily supported by reasonable dispersion of small business and home mortgage loans.

### Small Business

The geographic distribution of small business loans reflects reasonable dispersion throughout the Fresno AA. The following table illustrates the geographic distribution of small business loans in the Fresno AA by year and tract income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: MB Fresno AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low					
2022	7.8	5	4.8	232	2.2
Moderate					
2022	21.3	21	20.0	1,959	18.6
Middle					
2022	28.8	24	22.9	2,515	23.9
Upper					
2022	41.2	55	52.4	5,802	55.2
Not Available					
2022	0.9	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>10,508</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

In 2022, MB small business lending in low-income CTs was slightly below the D&B percentage of businesses demographic data. MB's 2022 small business lending in moderate-income CTs was comparable to D&B demographic data. Overall, the bank's small business lending performance reflects reasonable dispersion within LMI CTs.

### Home Mortgage

The geographic distribution of home loans reflects reasonable dispersion through the Fresno AA. The following table illustrates the geographic distribution of home mortgage loans in the Fresno AA by year and tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: MB Fresno AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
	2020	2.7	1.4	0	0.0	0
	2021	2.7	1.9	0	0.0	0
	2022	5.2	4.0	0	0.0	0
Moderate						
	2020	22.6	15.3	2	25.0	113
	2021	22.6	17.1	1	11.1	64
	2022	18.5	16.7	2	33.3	155
Middle						
	2020	23.6	21.0	4	50.0	884
	2021	23.6	21.4	2	22.2	99
	2022	27.4	26.1	2	33.3	110
Upper						
	2020	51.0	62.2	2	25.0	570
	2021	51.0	59.7	6	66.7	1,370
	2022	48.9	53.2	2	33.3	697
Not Available						
	2020	0.0	0.0	0	0.0	0
	2021	0.0	0.0	0	0.0	0
	2022	0.0	0.0	0	0.0	0
<b>Totals</b>						
	<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>1,567</b>
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>1,532</b>
	<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>962</b>
Source: 2015 ACS, 2020 U.S. Census; Bank Data, 2020, 2021, & 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.						

During the evaluation period, MB did not make home mortgage loans in low-income CTs; however, examiners noted that there are limited lending opportunities in low-income CTs as reflected in the reported aggregate performance percentages as well as the percentage of owner-occupied housing unit demographics. MB made a nominal volume of loans in moderate-income CTs. The bank's lending performance was slightly below reported aggregate data in 2021 but significantly exceeded aggregate data in 2020 and 2022. Overall, based on the bank's home mortgage lending in moderate-income CTs, the performance reflects reasonable dispersion throughout the AA.

## **Borrower Profile**

Overall, the bank's lending to businesses of different revenue sizes and borrowers of different income levels is reasonable. The conclusion is primarily supported by excellent performance for small business lending and reasonable performance for home mortgage lending.

### Small Business

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the Fresno AA. Lending performance to small businesses in the Fresno AA is illustrated in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: MB Fresno AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	89.1	84	80.0	7,198	68.5
>\$1,000,000					
2022	3.3	21	20.0	3,310	31.5
Revenue Not Available					
2022	7.6	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>10,508</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data  
Due to rounding, totals may not equal 100.0%*

As shown in the table, lending performance to small businesses was slightly below D&B demographic data percentage of businesses. However, many small businesses may not have credit needs or be creditworthy. The majority of MB's small business lending was made to businesses with GARs of \$1.0 million or less. This performance is also in-line with communicated AA credit needs. Overall, MB's distribution of small business borrowers reflects excellent penetration.

### Home Mortgage

MB's distribution of home mortgage lending reflects reasonable penetration among moderate-income individuals. The following table shows the distribution of loans by borrower income category.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: MB Fresno AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	24.9	1.4	0	0.0	0	0.0
2021	24.9	2.0	0	0.0	0	0.0
2022	24.0	2.9	0	0.0	0	0.0
Moderate						
2020	16.1	8.2	0	0.0	0	0.0
2021	16.1	9.1	1	11.1	40	2.6
2022	16.6	9.8	1	16.7	50	4.2
Middle						
2020	16.7	18.8	2	25.0	308	19.7
2021	16.7	19.3	1	11.1	55	3.6
2022	17.6	20.7	3	50.0	187	19.4
Upper						
2020	42.3	51.7	6	75.0	1,259	80.4
2021	42.3	50.4	7	77.8	1,437	93.8
2022	41.8	49.4	2	33.3	735	76.4
Not Available						
2020	0.0	19.9	0	0.0	0	0.0
2021	0.0	19.2	0	0.0	0	0.0
2022	0.0	17.2	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>1,567</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>1,532</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>962</b>	<b>100.0</b>

Source: 2015 ACS, 2020 U.S. Census; Bank Data; 2020, 2021, & 2022 HMDA Aggregate Data  
Due to rounding, totals may not equal 100.0%

During the evaluation period, MB did not make any home mortgage loans to low-income borrowers and made a nominal volume of loans to moderate-income borrowers. However, the area is highly competitive for home mortgage loans and reported aggregate data indicates there was limited home mortgage demand and lending opportunities to low-income borrowers. Further, 16.4 percent of the AA families are living below the poverty level, which represents a substantial obstacle for families to qualify for home loans. MB did not make any home mortgage loans to moderate-income borrowers in 2020; however, in 2021 and 2022, MB's lending performance exceeded aggregate reported data. Overall, MB's distribution of borrowers reflects reasonable penetration based on the bank's lending performance to moderate-income borrowers.

## SAN LUIS OBISPO ASSESSMENT AREA – Limited-Scope Review

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN SAN LUIS OBISPO ASSESSMENT AREA

The San Luis Obispo AA is located on the central coast of California and includes all of San Luis Obispo County. MB currently operates one branch in this AA. As a result of the 2020 Census data, no CT income designations changed and the total number of CT in the San Luis Obispo AA remains the same as the previous evaluation.

#### Economic and Demographic Data

Based on the 2020 U.S. Census data, the AA consists of 54 CTs of which there are no low-, 7 moderate-, 34 middle-, 8 upper-, and 5 tracts with no income designation. The following table illustrates select demographic housing and business information within the San Luis Obispo AA.

Demographic Information of the Assessment Area						
Assessment Area: San Luis Obispo AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	70	0.0	11.4	61.4	17.1	10.0
Population by Geography	282,424	0.0	10.4	63.5	18.0	8.0
Housing Units by Geography	122,256	0.0	11.1	66.9	18.2	3.8
Owner-Occupied Units by Geography	66,635	0.0	10.5	66.7	21.4	1.4
Occupied Rental Units by Geography	39,609	0.0	12.3	65.9	13.6	8.3
Vacant Units by Geography	16,012	0.0	10.4	70.3	16.6	2.7
Businesses by Geography	32,746	0.0	13.0	60.3	24.8	1.9
Farms by Geography	1,565	0.0	11.9	60.2	25.7	2.2
Family Distribution by Income Level	67,187	20.4	17.5	22.5	39.6	0.0
Household Distribution by Income Level	106,244	24.3	16.1	17.7	41.8	0.0
Median Family Income MSA - 42020 San Luis Obispo-Paso Robles, CA MSA		\$97,590	Median Housing Value			\$617,576
			Median Gross Rent			\$1,504
			Families Below Poverty Level			5.3%

*Source: 2020 U.S. Census and 2022 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.*

The following table shows the FFIEC-estimated median family incomes in the San Luis Obispo AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>San Luis Obispo-Paso Robles, CA MSA Median Family Income (42020)</b>				
2020 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760
2021 (\$97,800)	<\$48,900	\$48,900 to <\$78,240	\$78,240 to <\$117,360	≥\$117,360
2022 (\$109,200)	<\$54,600	\$54,600 to <\$87,360	\$87,360 to <\$131,040	≥\$131,040

Source: FFIEC

## CONCLUSIONS ON PERFORMANCE CRITERIA IN SAN LUIS OBISPO ASSESSMENT AREA

### LENDING TEST

The institution's lending performance in the San Luis Obispo AA is below for small business and above for home mortgage compared to lending performance in the Fresno AA that was reviewed using full-scope examination procedures. Although lending performance is inconsistent between the two AAs, it does not change the institution's overall Lending Test conclusions.

#### Geographic Distribution

##### Small Business

In 2022, the San Luis Obispo AA had 13.0 percent of business located in moderate-income CTs; however, MB did not make any small business loans within moderate income CTs. In 2022, MB made only 1 small business loan totaling \$300,000 in a middle-income CT.

## Home Mortgage

Geographic Distribution of Home Mortgage Loans						
Assessment Area: MB San Luis Obispo AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
Moderate						
2020	9.3	9.8	6	10.5	1,397	12.0
2021	9.3	10.5	7	10.9	1,130	10.2
2022	10.5	10.0	12	23.1	2,69	23.7
Middle						
2020	71.7	73.0	41	71.9	7,297	62.5
2021	71.7	71.2	43	67.2	7,262	65.6
2022	66.7	67.5	31	59.6	6,564	60.6
Upper						
2020	18.5	17.0	10	17.5	2,980	25.5
2021	18.5	18.1	14	21.9	2,686	24.2
2022	21.4	20.9	9	17.3	1,697	15.7
Not Available						
2020	0.5	0.3	0	0.0	0	0.0
2021	0.5	0.2	0	0.0	0	0.0
2022	1.4	1.5	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>11,674</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>11,077</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>10,830</b>	<b>100.0</b>

Source: 2015 ACS, 2020 U.S. Census; Bank Data; 2020, 2021, & 2022 HMDA Aggregate Data  
Due to rounding, totals may not equal 100.0%

## Borrower Profile

### Small Business

In 2022, MB made only 1 small business loan totaling \$300,000 to a business with GARs of \$1.0 million or less in the San Luis Obispo AA. In 2022, the San Luis Obispo AA demographics reflect that 89.8 percent of businesses had GARs of \$1.0 million or less.

## Home Mortgage

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: MB San Luis Obispo AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	21.0	3.1	3	5.3	88	0.8
2021	21.0	3.9	4	6.3	257	2.3
2022	20.4	5.3	3	5.8	305	2.8
Moderate						
2020	18.2	12.5	10	17.5	1,005	8.6
2021	18.2	12.8	18	28.1	2,137	19.3
2022	17.5	11.7	10	19.2	1,752	16.2
Middle						
2020	20.2	23.8	19	33.3	3,072	26.3
2021	20.2	22.2	24	37.5	3,813	34.4
2022	22.5	20.6	17	32.7	3,656	33.8
Upper						
2020	40.6	47.3	23	40.4	6,974	59.7
2021	40.6	45.6	18	28.1	4,871	44.0
2022	39.6	49.5	22	42.3	5,117	47.2
Not Available						
2020	0.0	13.3	2	3.5	536	4.6
2021	0.0	15.6	0	0.0	0	0.0
2022	0.0	12.8	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>11,674</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>11,077</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>10,830</b>	<b>100.0</b>
Source: 2015 ACS, 2020 U.S. Census; Bank Data; 2020, 2021, & 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%						

## **APPENDICES**

### **SMALL 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) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## 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 institution 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.

**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.

**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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that 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 (e.g, 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.

**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.

**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.

**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 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.

**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.