

# **PUBLIC DISCLOSURE**

June 5, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Hanmi Bank  
Certificate Number: 24170

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Los Angeles, California 90010

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

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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 neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			
* 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 assessment area credit needs.
- The institution makes an adequate percentage of loans throughout the assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers, given the product lines offered by the institution, reflects good penetration among business customers of different sizes and individuals of different income levels.
- The institution exhibits an adequate record of serving the credit needs of the most economically disadvantaged individuals of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution made an adequate level of community development (CD) loans.

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

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

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

- Delivery systems are accessible to essentially all portions of the institution’s assessment areas.
- The institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or individuals.
- Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies or individuals.
- The institution provided a relatively high level of CD services.

## **DESCRIPTION OF INSTITUTION**

Hanmi Bank (HB) is a state-chartered commercial bank headquartered in Los Angeles, California. HB is a wholly owned subsidiary of Hanmi Financial Corporation, a Delaware Corporation. The institution received a “Needs to Improve” CRA Rating at its previous FDIC CRA Performance Evaluation (PE) dated May 3, 2021.

HB operates 35 branch offices in 6 states that includes California, Texas, Illinois, New York, New Jersey, and Virginia. HB is a full-service bank that offers a broad range of commercial banking products and services. The institution specializes in products for small- and medium-sized businesses. Commercial loan products offered include, commercial real estate, construction, lines of credit, business term, Small Business Administration (SBA), equipment leasing, trade finance, professional, and credit cards,. The bank offers residential-real-estate loans and consumer credit cards. HB offers a range of traditional commercial and consumer deposit products including checking, money market, savings and certificate of deposit accounts. Delivery systems include ATMs, as well as telephone-, online-, and mobile banking.

The March 31, 2023 Call Report reflects \$7.4 billion in total assets, \$6.0 billion in total loans, and \$6.2 billion in total deposits. The following table depicts the institution’s loan portfolio distribution.

<b>Loan Portfolio Distribution as of 3/31/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	113,360	1.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	845,970	14.1
Secured by Multifamily (5 or more) Residential Properties	369,626	6.2
Secured by Nonfarm Nonresidential Properties	3,261,131	54.5
<b>Total Real Estate Loans</b>	<b>4,590,087</b>	<b>76.7</b>
Commercial and Industrial Loans	1,321,334	22.1
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	7,523	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	65,165	1.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>5,984,109</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 the credit needs of its assessment areas.

## **DESCRIPTION OF ASSESSMENT AREAS**

HB delineated nine assessment areas throughout the states of California, Texas, Illinois, Virginia, and the New York-Newark-Jersey City, New York-New Jersey-Pennsylvania Multistate Metropolitan Statistical Area (MMSA). As of the evaluation data, the institution’s assessment areas are comprised of four in California, two in Texas, one in Illinois, one in Virginia, and one in the New York-Newark-Jersey City MMSA. Refer to the rated areas and individual assessment areas for additional information.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners used the Interagency Large Institution Examination Procedures to evaluate HB’s CRA performance. This evaluation covers the period from the previous evaluation dated May 3, 2021, to the current evaluation dated June 5, 2023. Among the institution’s five rated areas, the state of California received the greatest weight due to the significantly larger volume of loans, deposits, and branches. Each rated area is weighted and presented in descending order in this PE based on lending activity in 2021 and 2022; total deposits as of June 20, 2022; and branch network as of the evaluation date. Refer to the following table.

<b>Rated Area Breakdown of Deposits and Branches</b>				
<b>Rated Area</b>	<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
California	5,262,136	87.7	22	62.8
Texas	291,655	4.9	7	20.0
Illinois	251,167	4.2	3	8.6
New York-Newark-Jersey City MMSA	158,516	2.6	2	5.7
Virginia	38,304	0.6	1	2.9
<b>Total</b>	<b>6,001,778</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>
<i>Source: Bank Data; FDIC Summary of Deposits (6/30/2022)</i>				

Examiners used full-scope examination procedures to determine the bank’s performance in a single selected assessment area per rated area. Examiners selected the Los Angeles and the Dallas assessment areas for full- scope reviews, as these assessment areas had the greatest volume of lending, deposits, and branches within their respective rated areas. Full-scope examination procedures were also used in the Houston assessment area since full-scope procedures have not been conducted in the assessment area during the last two evaluations. Examiners used limited-scope examination procedures for the remaining California assessment areas. The Chicago, New York-Middlesex, and Fairfax assessment areas received full-scope reviews, as they were the only assessment areas in their respective states or MMSA.

### **Activities Reviewed**

HB’s major product lines are small business and home mortgage loans based on the bank’s business strategy, loan portfolio composition, and lending activity during the evaluation period. Small business lending received the most weight because it represents the largest loan category by number of loans and remains the primary focus of the institution. Home mortgage lending received less weight because of the lower lending volume during the review period. Examiners did not analyze small farm loans, as the bank did not originate any since the previous evaluation. Examiners also did not analyze consumer lending as it does not constitute a majority of lending by number and dollar volume, and the bank did not elect to have consumer loans considered.

Examiners analyzed and presented the number and dollar volume of all small business loans originated or purchased from January 1, 2021 through December 31, 2022. For home mortgage loans, examiners analyzed loans originated or purchased from January 1, 2021 through December 31, 2022. Since the bank collects, but is not required to report home mortgage loans, pursuant to the Home Mortgage Disclosure Act (HMDA), the evaluation only presents the 2022 data under the Geographic Distribution and Borrower Profile criteria, as the lending performance in 2021 was consistent with 2022.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business				
2021	1,693	278.8	1,693	278.8
2022	360	146.3	360	146.3
Home Mortgage	654	435.9	654	435.9
2021	323	289.2	323	289.2
2022	654	435.9	654	435.9
<i>Source: 2021 &amp; 2022 CRA Small Business Reported Data; Home Mortgage Bank Records from 01/01/2021 through 12/31/2022</i>				

While both number and dollar volume of loans are presented, examiners focused on the number of loans because it is a better indicator of the number of businesses and consumers served. Examiners compared the small business lending performance to 2021 and 2022 D&B data; 2021 small business aggregate data; 2015 ACS Census data; and 2020 U.S. Census data. Home mortgage lending performance was compared to 2020 U.S. Census data.

The evaluation of CD loans, investments, and services included all qualified activities since the date of the previous CRA PE through May 31, 2023. The evaluation of CD investments also includes prior period investments still outstanding at the time of this evaluation. Examiners evaluated HB’s CD loans, investments, and services quantitatively based on the bank’s financial capacity, as well as qualitatively based upon the impact of those activities on HB’s assessment areas. Examiners compared the CD performance to the prior evaluation and to similarly situated institutions.

Finally, examiners reviewed retail banking products and services targeted to low- and moderate-income individuals or small businesses that are tailored to meet the needs of the assessment areas. Examiners also reviewed retail delivery systems, such as branch offices and alternative delivery systems, including the effect of branch closures.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test rating is “Low Satisfactory.” This rating is primarily supported by adequate lending activity, adequate assessment area concentration, good geographic distribution, good borrower profile, and adequate CD lending activity. The institution’s lending test performance is consistent in Texas, Illinois, and Virginia with California exceeding the overall performance conclusions. Performance in the New York-Newark-Jersey City MMSA is below the overall performance conclusions.

#### **Lending Activity**

HB’s lending activity reflects adequate responsiveness to assessment area credit needs. The institution’s performance was consistent in each rated area.

**Assessment Area Concentration**

HB made an adequate percentage of small business and home mortgage loans inside its assessment areas. The following table shows the bank’s assessment area lending, by loan product, during the review period.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>					<b>Dollar Amount of Loans \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$(000s)</b>
Home Mortgage										
2021	200	61.9	123	38.1	323	204,648	70.7	84,563	29.2	289,211
2022	416	63.6	238	36.4	654	307,534	70.5	128,398	29.5	435,932
<b>Subtotal</b>	<b>616</b>	<b>63.1</b>	<b>361</b>	<b>36.9</b>	<b>977</b>	<b>512,182</b>	<b>70.6</b>	<b>212,961</b>	<b>29.4</b>	<b>725,143</b>
Small Business										
2021	1,273	75.2	420	24.8	1,693	197,556	70.9	81,234	29.1	278,790
2022	257	71.4	103	28.6	360	95,501	65.3	50,777	34.7	146,278
<b>Subtotal</b>	<b>1,530</b>	<b>74.5</b>	<b>523</b>	<b>25.5</b>	<b>2,053</b>	<b>293,057</b>	<b>68.9</b>	<b>132,011</b>	<b>31.1</b>	<b>425,068</b>
<b>Total</b>	<b>2,146</b>	<b>70.8</b>	<b>884</b>	<b>29.2</b>	<b>3,030</b>	<b>805,239</b>	<b>70.0</b>	<b>344,972</b>	<b>30.0</b>	<b>1,150,211</b>
<i>Source: Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

The bank’s small business lending performance has declined by number of loans and improved slightly by dollar volume since the previous evaluation. The previous evaluation did not consider home mortgage lending.

**Geographic Distribution**

HB’s geographic distribution of loans reflects good penetration throughout the assessment areas. The institution’s performance was excellent in California; good in Texas; adequate in Illinois and Virginia; and poor in the New York-Newark-Jersey City MMSA.

**Borrower Profile**

HB’s distribution of borrowers reflects good penetration among business customers of different sizes and individuals of different income levels. The institution’s performance was good in California, Illinois, and Virginia. HB’s performance was adequate in Texas and the New York-Newark-New Jersey City MMSA.

**Innovative or Flexible Lending Practices**

HB uses innovative and flexible lending practices in order to serve assessment area credit needs. Overall, the institution participated in 1,784 flexible or innovative loans totaling \$496.4 million during the review period. The following table presents HB’s innovative and flexible loan programs offered during the evaluation period.

Innovative or Flexible Lending Programs								
Type of Program	2021		2022		YTD 2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA 504	4	7,361	1	2,948	-	-	5	10,309
SBA 7(a)	120	106,145	179	211,013	62	53,747	361	370,905
SBA PPP	1,350	113,771	-	-	-	-	1,350	113,771
Hanmi Express	-	-	1	95	-	-	1	95
Hanmi Micro-Loan	-	-	63	1,260	4	80	67	1,340
<b>Totals</b>	<b>1,474</b>	<b>277,277</b>	<b>244</b>	<b>215,316</b>	<b>66</b>	<b>53,827</b>	<b>1,784</b>	<b>496,420</b>
<i>Source: Bank Data</i>								

The following are examples of HB’s innovative or flexible lending programs.

- SBA Loans and PPP – HB is an SBA Preferred lender and actively participated in the SBA’s Paycheck Protection Program (PPP) in 2021, which supported many small businesses and non-profit organizations during the COVID-19 pandemic. HB’s PPP lending demonstrated the bank’s commitment and flexibility in assisting commercial customers during this economically challenging period.
- Hanmi Small Business Micro-Loans – HB’s small business micro-loan program is a flexible loan product that the institution launched in June 2017. HB requires minimal financial documentation, and loans are available for amounts of up to \$20,000.
- Hanmi Express – This is a flexible small business loan product that the institution launched in April 2017. The bank offers these loans through an expedited application process for loan amounts from \$10,000 up to \$250,000.

These programs are offered bank-wide; therefore, they will not be addressed within the individual full-scope assessment areas.

### **Community Development Loans**

HB made an adequate level of CD loans throughout the assessment areas. During the evaluation period, the bank originated 62 CD loans totaling approximately \$286.8 million. This level of activity represented 4.1 percent of average total assets and 5.3 percent of average total loans, which is lower than the previous examination and below several similarly situated institutions. However, when controlling for the length of the evaluation period, the current level of CD loans represents an increase from the previous evaluation.

The institution’s performance varied significantly by rated area. The majority of HB’s CD lending occurred in California and Texas. The institution made a low level of CD loans in Illinois and the New York-Newark-Jersey City MMSA, with no CD loan originations in Virginia. HB’s lack of CD lending in Illinois, Virginia, and the New York-Newark-Jersey City MMSA affected the overall CD lending conclusions and was not responsive to each rated area’s CD needs. Lastly, similar to the last examination, the lack of CD lending in these areas affected the overall Lending Test conclusions. The

following table presents the bank’s CD loans by rated area and CD purpose.

<b>Community Development Lending by Assessment Area</b>										
<b>Rated Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
California	4	5,872	13	80,525	30	100,346	1	10,000	<b>48</b>	<b>196,743</b>
Texas	2	55,600	0	0	7	21,255	0	0	<b>9</b>	<b>76,855</b>
Illinois	1	2,333	1	360	2	2,992	0	0	<b>4</b>	<b>5,685</b>
New York-Newark-Jersey City MMSA	0	0	1	7,550	0	0	0	0	<b>1</b>	<b>7,550</b>
Virginia	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>7</b>	<b>63,805</b>	<b>15</b>	<b>88,435</b>	<b>39</b>	<b>124,593</b>	<b>1</b>	<b>10,000</b>	<b>62</b>	<b>286,833</b>
<i>Source: Bank Data</i>										

## INVESTMENT TEST

The Investment Test is rated “Low Satisfactory.” HB’s adequate level of qualified CD investments and grants primarily support this rating. The bank’s overall Investment Test performance was consistent with the overall rating in the California, Texas, and Virginia rated areas. HB’s performance in the Illinois and New York-Newark-Jersey City MMSA assessment areas are a significant level. Refer to each assessment area’s Investment Test conclusions for a detailed analysis on performance.

### Investment and Grant Activity

HB has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The combined prior period and new CD investments and donations totaled \$65.2 million, which represents a decline from the previous evaluation’s total of \$71.0 million. The institution’s prior period investments retained across the rated areas totaled \$11.5 million. Of the total new qualified investments, HB made \$32.3 million in qualified investments during 2021, \$14.8 million in 2022, and \$6.6 million in YTD 2023.

During the evaluation period, total qualified investments represented 0.9 percent of average total assets and 7.5 percent of average total securities. These ratios represent a decrease compared to the previous evaluation’s ratios of 1.3 percent of average total assets and 11.3 percent of average total securities. Nonetheless, HB’s level of investment and grant activity as a percentage of total assets remained within a reasonable range of two similarly situated institutions, but HB’s level of investment and grant activity as a percentage of average total securities was below the performance of two similarly situated institutions.

While HB’s investment activity falls below the previous period performance, the current exam takes place within a shorter evaluation period. When controlling for the length of the evaluation period, the current level of investment activity represents a slight increase from the prior evaluation. On an annualized basis, HB’s performance is \$6.9 million greater than the previous period evaluation. The following table details the qualified CD investment and donation activity by CD purpose and rated area.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
California	3	4,076	0	0	1	7,500	0	0	4	11,576
Texas	1	1,500	0	0	1	6,480	0	0	2	7,980
Illinois	3	15,029	0	0	0	0	0	0	3	15,029
New York-Newark- Jersey City MMSA	2	3,849	0	0	1	2,000	0	0	3	5,849
Virginia	0	0	0	0	0	0	0	0	0	0
Nationwide Activities	5	24,414	0	0	0	0	0	0	5	24,414
<b>Subtotal</b>	<b>14</b>	<b>48,868</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>15,980</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>64,848</b>
Qualified Grants & Donations	2	10	26	295	8	41	0	0	36	346
<b>Total</b>	<b>16</b>	<b>48,878</b>	<b>26</b>	<b>295</b>	<b>11</b>	<b>16,021</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>65,194</b>

Source: Bank Records

As illustrated in the table, HB invested in five nationwide investments totaling \$24.4 million. This total consisted of four new investments for \$18.3 million and one prior period investment with an outstanding book value of \$6.1 million. All of the nationwide investments were comprised of mortgage-backed securities that directly benefited more than one of HB’s assessment areas and rated areas. Specifically, the nationwide investments benefited the San Diego, Santa Clara, Dallas, Houston, Chicago, Fairfax, and the New York-Middlesex assessment areas.

**Responsiveness to Credit and Community Development Needs**

The institution exhibits good responsiveness to credit and CD needs. The majority of the institution’s qualified CD investments support affordable housing, which was a primary need identified in the majority of the rated areas.

**Community Development Initiatives**

HB rarely uses innovative and/or complex investments to support CD initiatives. The majority of the bank’s investment activity consisted of mortgage back securities, which are not innovative or complex. New investments consisted of one municipal security, one investment in a community development fund, and one investment in a small business investment company (SBIC). The institution continued to hold three prior period low-income housing tax credit (LIHTC) investments. Although these LIHTC investments are considered more complex, HB only made use of LIHTCs in the Los Angeles assessment area.

**SERVICE TEST**

The Service Test is rated “High Satisfactory.” The institution’s performance in California and New York-Newark-Jersey City MMSA, are consistent with the overall performance. HB’s performance in Texas, Illinois, and Virginia are below the overall performance. Refer to the rated areas for details.

## Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment areas. HB operates 35 full-service branches and 31 ATMs within its assessment areas. The bank has 15 branches, or 42.9 percent of its branch network, within low- and moderate-income CTs. This exceeds the 23.5 percent of branches operated by all institutions located within low- and moderate-income CTs in the institution’s assessment areas. In addition to its branches, HB operates seven loan production offices: one in California, one in Texas, one in Virginia, one in Colorado, one in Washington, one in Georgia, and one in New York. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment areas by CT income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	943	9.1	3,593,113	8.0	5	14.3	6	19.4
Moderate	2,538	24.6	11,107,158	24.8	10	28.6	8	25.8
Middle	3,106	30.1	14,015,823	31.3	14	40.0	12	38.7
Upper	3,497	33.9	15,628,753	34.9	6	17.1	5	16.1
NA	245	2.4	493,573	1.1	0	0.0	0	0.0
<b>Totals</b>	<b>10,329</b>	<b>100.0</b>	<b>44,838,420</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census &amp; Bank Data            Due to rounding, totals may not equal 100.0%</i>								

HB offers a variety of alternative delivery systems for customers to access banking products and services. Select branch offices also offer drive-up services within some of the assessment areas. Other alternative delivery systems include the following.

- Internet banking – Through the bank’s website [www.hanmi.com](http://www.hanmi.com), customers can access various internet-banking services. Bank customers can view loan and deposit account information and histories, make payments, review account transactions, transfer funds between HB accounts, request stop payments, verify deposits, set alerts for various account activity, and e-mail the bank.
- Person-to-person payment – This service allows customers to transfer funds from their bank account to another individual’s account via the internet or a mobile phone.
- Walk-in customer education – HB provides walk-in branch customers with fact sheets and short discussions on financial topics. Topics primarily covered potential scams and were discussed in both English and Korean to bank customers.
- The bank also offers remote deposit service, telephone banking, bank-by-mail, direct deposit, wire transfer services, night depository, lock boxes, automated clearinghouse, and courier services.

HB offers the same alternative delivery systems throughout the assessment areas; therefore, alternative delivery systems are only discussed in this section of the evaluation.

**Changes in Branch Locations**

To the extent that changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. HB did not open or close any braches during the evaluation period.

**Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and individuals. All branch locations are full-service and offer the same products and services. Banking hours are generally similar and vary slightly according to local area needs. Saturday banking hours are no longer offered at any branch. Of the 35 branches, HB operates ATMs at 30 locations, and drive-through services at 11 locations. Refer to each full-scope assessment area analysis for additional details.

**Community Development Services**

HB provided a relatively high level of CD services. During the evaluation, 221 employees provided 3,496 hours of qualified CD service hours to 78 organizations. In total, bank employees provided 851 instances of CD service activities during the review period. By year, HB’s CD service activity consisted of 298 CD service hours in YTD 2021, 1,917 CD service hours in 2022, 1,281 CD service hours in YTD 2023.

Overall, HB’s level of CD service activity significantly increased from the limited level of CD services at the previous evaluation, where 55 employees provided 1,536 hours of qualified CD service hours to 20 organizations during a longer evaluation period. On an annualized basis, CD service hours increased by 1,068 hours or 175.2 percent since the previous evaluation. Examiners compared the bank’s performance to three similarly situated institutions. HB’s volume of CD service activity was comparable to another similarly situated institution, who also had a relatively high level of CD services.

<b>Community Development Services by Rated Area</b>					
	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
<b>Rated Area</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
California	120	2,419	49	0	<b>2,588</b>
Texas	0	129	207	0	<b>336</b>
Illinois	0	235	0	0	<b>235</b>
New York- Newark-Jersey City MMSA	0	273	4	0	<b>277</b>
Virginia	0	60	0	0	<b>60</b>
<b>Total</b>	<b>120</b>	<b>3,116</b>	<b>260</b>	<b>0</b>	<b>3,496</b>
<i>Source: Bank Data</i>					

The service hours supported three of the four community development purposes with the substantial majority supporting community services targeted to low- and moderate-income individuals and families. Refer to the full-scope assessment area sections for further details and examples of CD services

provided.

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

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

### **STATE OF CALIFORNIA**

#### **CRA RATING FOR CALIFORNIA: SATISFACTORY**

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

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

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

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

HB operates in four assessment areas in the state of California. The following table lists the counties, census tracts, and branches in each assessment area. There were no changes to the assessment areas since the previous CRA PE. Refer to the individual assessment areas for key demographic and economic information specific to each assessment area.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Los Angeles	Los Angeles, Orange	3,112	<b>19</b>
San Diego	San Diego	737	1
San Francisco	San Francisco	244	1
Santa Clara	Santa Clara	408	1

*Source: Bank Records & 2020 US Census Data*

### **SCOPE OF EVALUATION – CALIFORNIA**

Refer to the overall Scope of Evaluation section in this PE for details regarding assessment areas selected for full- and limited-scope review, a description of products reviewed, and data sources.

### **CONCLUSIONS ON PERFORMANCE CRITERIA IN CALIFORNIA**

#### **LENDING TEST**

HB is rated “High Satisfactory” in the Lending Test in the state of California. The bank’s performance in the Los Angeles assessment area was consistent with the performance in California. HB’s performance in the San Diego, San Francisco, and Santa Clara assessment areas were below the

performance in California. Refer to the analysis for each individual assessment area for additional details.

### **Lending Activity**

HB's lending levels reflect adequate responsiveness to assessment area credit needs. Refer to each assessment area analysis for details.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the assessment areas. The performance is consistent among the more heavily weighted Los Angeles assessment area and weaker in the San Diego, San Francisco, and Santa Clara assessment areas. Refer to the individual assessment area sections for details.

### **Borrower Profile**

The distribution of borrowers reflects good penetration among businesses of different revenue sizes and individuals of different income levels. The bank's performance is consistent in the Los Angeles and Santa Clara assessment areas and weaker in the San Francisco and San Diego assessment areas. Refer to the individual assessment area sections for more information.

### **Community Development Loans**

HB made an adequate level of CD loans. The institution originated 48 CD loans totaling \$196.7 million in the state during the evaluation period. HB's CD lending in the Los Angeles and San Diego assessment area was consistent with the performance in the state. The performance in the San Francisco and Santa Clara assessment areas was below the performance in the state. The majority of HB's CD lending activities supported community service and economic development and not considered particularly impactful to the identified community needs.

HB's CD loan total in California includes 1 community service loan in 2021 totaling \$8.0 million that impacts the bank's Los Angeles and San Diego assessment areas along with an area outside of its California assessment areas, San Bernardino County. In addition, given that the bank met the needs of its assessment areas, examiners considered and qualified 2 loans totaling \$2.6 million that benefited areas outside of the bank's assessment areas. These loans helped support community service and economic development. Refer to the Los Angeles assessment area for notable CD loan examples.

### **INVESTMENT TEST**

HB is rated "Low Satisfactory" in the Investment Test in the state of California. The bank's performance in the Los Angeles and San Diego assessment areas were consistent with the performance in the state. The performance in the San Francisco and Santa Clara assessment areas was below the performance in the state. Refer to the individual assessment areas analysis for details.

### **Investment and Grant Activity**

The institution exhibits an adequate level of qualified CD investments and grants, although rarely in a

leadership position, particularly those not routinely provided by private investors. During the evaluation period, HB's investment and grant activity that solely benefited the California assessment areas totaled \$11.9 million. HB's investment activity in California is comprised of 3 affordable housing investments totaling \$4.1 million and 1 economic development investment totaling \$7.5 million. All four of HB's qualified investment activities occurred in the more heavily weighted Los Angeles assessment area. HB made one new nationwide mortgage back security investment that directly benefited the San Diego and Santa Clara assessment areas despite not having made any investments that solely impacted these areas.

The majority of HB's overall donation activity occurred within California. A total of \$306,080 or 88.5 percent of the overall donations were made in the California assessment areas. Refer to the Los Angeles assessment area for notable CD investment and donation examples.

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

The institution exhibits good responsiveness to credit and CD needs. HB's CD investments supported economic development and affordable housing, which were primary CD needs for the California assessment areas.

### **Community Development Initiatives**

The institution occasionally uses innovative and/or complex investments to support CD initiatives HB's investment activity in California consist of an investment in a SBIC and prior period LIHTC investments, which are considered more complex investments.

### **SERVICE TEST**

HB is rated "High Satisfactory" in the Service Test for the state of California. The institution's Service Test performance in California was consistent in the Los Angeles assessment area, but below in the San Diego, San Francisco, and Santa Clara assessment areas. Refer to the individual assessment area analyses for details.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the California assessment areas. The branch distribution and alternative delivery systems are consistent with the institution overall. HB operates 22 full-service branches in California: 3 in low-, 7 in moderate-, 8 in middle-, and 4 in upper-income CTs. Refer to the full-scope analysis for additional details.

### **Changes in Branch Locations**

HB did not open or close any branches in California during the evaluation period; therefore, this criterion did not affect the rated area's Service Test conclusions.

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

Services, including business hours, do not vary in a way that inconveniences portions of the California

assessment areas, particularly low- and moderate-income geographies and/or individuals. Products and services offered in California are consistent with the institution overall. Branch locations have generally similar hours that vary slightly according to area needs. Refer to the full-scope analysis for details.

**Community Development Services**

HB provided a relatively high level of CD services in California. During the evaluation period, HB provided 2,588 CD service hours in the state. This represents a significant increase since the prior evaluation where employees provided a limited level of CD services totaling 1,250 hours. On an annualized basis, the CD service hours in California increased by 838 hours annually. Service hours primarily occurred in the more heavily weighted Los Angeles assessment area. The majority of service hours supported community services targeted to low- and moderate-income individuals and families.

HB’s level of CD services in the San Diego, San Francisco, and Santa Clara assessment areas significantly increased from the previous evaluation’s performance where no CD services were provided. However, the performance was still below the performance for the state. The following table details the institution’s CD services by California assessment area and CD purpose.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</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>
Los Angeles	120	2,293	21	0	2,434
San Diego	0	50	16	0	66
San Francisco	0	42	6	0	48
Santa Clara	0	34	6	0	40
<b>Total</b>	<b>120</b>	<b>2,419</b>	<b>49</b>	<b>0</b>	<b>2,588</b>
<i>Source: Bank Data</i>					

Refer to the Los Angeles assessment area for notable CD service examples.

**LOS ANGELES ASSESSMENT AREA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE LOS ANGELES ASSESSMENT AREA**

The Los Angeles assessment area is located in Southern California and consists of Los Angeles and Orange Counties. These two counties are contiguous and comprise the entirety of the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). There were no changes to the assessment area since the previous evaluation.

**Economic and Demographic Data**

Based on the 2020 U.S. Census data, the Los Angeles assessment area contains 178 low-, 856 moderate-, 926 middle-, 1,071 upper-income, and 81 CTs with no income designation. The following table shows

select demographic, housing, and business information within the Los Angeles assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Los Angeles						
Demographic Characteristics	● #	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3,112	5.7	27.5	29.8	34.4	2.6
Population by Geography	13,200,998	5.2	28.3	30.9	34.4	1.1
Housing Units by Geography	4,661,034	4.8	25.4	29.8	38.7	1.3
Owner-Occupied Units by Geography	2,129,700	1.4	17.1	31.6	49.6	0.3
Occupied Rental Units by Geography	2,242,805	8.2	33.8	28.7	27.3	2.0
Vacant Units by Geography	288,529	4.4	21.4	25.3	46.4	2.4
Businesses by Geography	1,796,581	3.4	18.6	27.3	48.1	2.6
Farms by Geography	17,110	2.5	17.9	29.1	49.0	1.5
Family Distribution by Income Level	2,953,482	23.7	16.5	17.9	41.9	0.0
Household Distribution by Income Level	4,372,505	25.6	15.2	16.7	42.5	0.0
Median Family Income MSA - 11244 Anaheim-Santa Ana-Irvine, CA		\$106,451	Median Housing Value			\$696,400
Median Family Income MSA - 31084 Los Angeles-Long Beach-Glendale, CA		\$80,317	Median Gross Rent			\$1,676
			Families Below Poverty Level			9.6%
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners also reviewed changes between the 2015 ACS compared to the 2020 U.S. Census data to determine if there were any data changes impacting performance context. With the change in census, branches in low-income CTs changed from two to three and branches in moderate-income CTs changed from five to six. In low-income census tracts, the percentage of census tracts decreased from 9.1 percent, housing units from 7.5 percent, occupied rental units from 12.0 percent, and vacant units from 8.0 percent. Median family income increased from \$86,003 in MSA 11244 and from \$62,703 in MSA 31084. The median housing value increased from \$515,607 and families living below poverty declined from 13.0 percent.

The assessment area’s 1,796,581 businesses reported GARs as follows:

- 91.7 percent had \$1 million or less,
- 3.2 percent had more than \$1 million, and
- 5.1 percent did not report revenue information.

Services represent the largest industry at 36.7 percent of businesses followed by non-classifiable establishments at 26.6 percent; finance, insurance, and real estate at 10.7 percent; and retail trade at 10.1 percent.

Examiners obtained the following economic information for the assessment area from Moody’s Analytics as of February 2023.

### ***Los Angeles-Long Beach-Glendale***

The assessment area is slowing following a full employment recovery with a current low unemployment rate of 5.1 percent matching that of pre-pandemic levels. Housing prices remain high with rising mortgage interest rates making home ownership increasingly difficult. The area's strengths include a strong healthcare base and a growing technological presence provide well-paying jobs; global links through entertainment, tourism, and fashion; and the deep San Pedro Harbor that enables the area to handle megaships that other ports cannot. The area's weaknesses include high costs that hinder net migration gains and being prone to disasters, which include drought, wildfires, and earthquakes. The top three employers are Cedars-Sinai Medical Center, Los Angeles International Airport, and the University of California Los Angeles.

### ***Anaheim-Santa Ana-Irvine***

Orange County's recovery is in fair shape with a current unemployment rate of 2.9 percent and employment nearly at the pre-pandemic level. Home prices are sliding, which is consistent with the national average. The area's strengths include a highly trained, well-educated labor force; research and development that has increased demand for office space in the area; and a coastline and climate that attracts residents and visitors. The area's weaknesses include a contracting population, an abundance of low-wage jobs, and sensitivity to business cycle fluctuations. The top three employers are Disney Resorts, the University of California Irvine, and St. Joseph Health.

### **Competition**

The Los Angeles assessment area is highly competitive for financial services. According to the June 30, 2022 FDIC Deposit Market Share Report, 109 banks operate 2,144 branches and share \$795.8 billion in deposits within the area. The top five institutions control 59.7 percent of the assessment area's deposit market share with a combined \$475.2 billion in deposits. The five largest financial institutions are Bank of America, Wells Fargo Bank, JPMorgan Chase Bank, City National, and MUFG Union Bank. According to the same data, HB operates 20 branches that maintain \$4.9 billion in deposits, representing 0.6 percent of the assessment area's deposits and ranking the institution 24<sup>th</sup> in the assessment area based on deposit market share.

### **Community Contacts**

Examiners reviewed one recent community contact with a small business development corporation serving the assessment area. The contact indicated there are many job opportunities in the assessment area; however, the challenge is a lack of affordable housing for low-, moderate-, and middle-income people. The contact stated there continues to be a need for small business loans, especially for micro businesses and start-ups, as well as capital for both new and growing businesses.

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

Based on economic information, community contacts, and bank information, examiners determined that credit and CD needs and opportunities exist for small business lending, especially for micro businesses and start-ups. There is also a need for affordable housing given the areas high cost of living.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LOS ANGELES ASSESSMENT AREA**

### **LENDING TEST**

Lending levels within the Los Angeles assessment area reflect adequate responsiveness. The geographic distribution of loans reflects excellent penetration throughout the assessment area. The distribution of borrowers reflects good penetration. HB made a relatively high level of CD loans in the assessment area.

#### **Lending Activity**

HB's lending levels reflect adequate responsiveness to assessment area credit needs. During the evaluation period, HB originated 1,139 small business loans totaling \$210.4 million and 353 home mortgage loans totaling \$268.1 million. At the previous evaluation, HB originated 2,294 small business loans totaling \$314.1 million over a three-year evaluation period. The bank did not originate any home mortgage loans during the previous evaluation period. After accounting for the varying evaluation timeframes, HB's level of small business lending, by number of loans, decreased by approximately 25.0 percent since the previous evaluation. The small business lending decrease can be attributed to a decrease in PPP lending in 2021 compared to 2020. Overall, lending activity is adequate.

In 2021, HB ranked 44<sup>th</sup> out of 355 lenders who reported 604,449 originated or purchased small business loans in the assessment area, giving HB a market share of 0.2 percent by number and 0.7 percent by dollar volume. HB's market share ranking increased since the previous evaluation where the institution was ranked 50<sup>th</sup> in 2018 and 60<sup>th</sup> in 2019.

#### **Geographic Distribution**

Overall, the geographic distribution of loans in represents excellent penetration throughout the Los Angeles assessment area.

#### **Small Business Loans**

The geographic distribution of small business loans represents excellent penetration. The following table shows the distribution of loans by tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Los Angeles</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	4.9	4.8	132	13.7	19,824	14.1
2022	3.4	--	16	9.2	6,638	9.5
<b>Moderate</b>						
2021	19.3	19.9	336	34.8	51,687	36.8
2022	18.6	--	67	38.7	28,424	40.7
<b>Middle</b>						
2021	24.7	25.5	226	23.4	31,066	22.1
2022	27.3	--	60	34.7	22,191	31.8
<b>Upper</b>						
2021	49.3	48.3	254	26.3	34,494	24.5
2022	48.1	--	27	15.6	10,375	14.9
<b>Not Available</b>						
2021	1.9	1.5	18	1.9	3,456	2.5
2022	2.6	--	3	1.7	2,200	3.2
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>966</b>	<b>100.0</b>	<b>140,527</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>173</b>	<b>100.0</b>	<b>69,828</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, HB’s lending in both low- and moderate-income CTs significantly outperformed aggregate data. Specifically, lending in low-income tracts exceeded aggregate lending by nearly 9.0 percentage points while lending in moderate-income tracts by nearly 15.0 percentage points. Performance in 2022 dipped in low-income CTs by 4.5 percentage points, but still outperformed the percentage of businesses by nearly 6.0 percentage points. In moderate-income CTs, HB’s performance improved by approximately 4.0 percentage points and outperformed the percentage of businesses by 20.1 percentage points.

### Home Mortgage Loans

The geographic distribution of home mortgage loans represents good penetration. The following table shows the distribution of loans by tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Assessment Area: Los Angeles</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	1.4	23	6.5	20,466	7.6
Moderate					
2022	17.1	75	21.2	43,120	16.1
Middle					
2022	31.6	110	31.2	66,286	24.7
Upper					
2022	49.6	144	40.8	137,338	51.2
Not Available					
2022	0.3	1	0.3	900	0.3
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>353</b>	<b>100.0</b>	<b>268,111</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

In 2022, lending in low-income tracts exceeded the percentage of owner occupied units by 5.1 percentage points. The bank also exceeded the percentage of owner occupied units in moderate-income tracts by 4.1 percentage points. These percentage differences reflect favorably on the bank's home mortgage lending performance.

### **Borrower Profile**

Overall, the distribution of borrowers reflects, given the product lines offered by the institution, good penetration. The penetration is good among retail customers of different income levels and business customers of different revenue size and very poor among individuals of different revenue categories.

### **Small Business Loans**

The distribution of small business loans reflects good penetration among businesses of different revenue sizes. The following table shows the distribution of loans by borrower revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Los Angeles						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2021	90.6	45.3	143	14.8	40,302	28.7
2022	91.7	-	106	61.3	37,809	54.1
<b>&gt;\$1,000,000</b>						
2021	3.8	-	154	15.9	52,613	37.4
2022	3.2	-	48	27.7	27,478	39.4
<b>Revenue Not Available</b>						
2021	5.6	-	669	69.3	47,612	33.9
2022	5.1	-	19	11.0	4,541	6.5
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>966</b>	<b>100.0</b>	<b>140,527</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>173</b>	<b>100.0</b>	<b>69,828</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, the institution’s lending to businesses with GARs of \$1 million or less substantially trailed the aggregate data and D&B data. Specifically, the bank’s lending was 30.5 percentage points below aggregate and nearly 76.0 percentage point below D&B data. In 2021, the majority of HB’s small business loans were originated under the SBA PPP. The SBA did not require, and the bank did not collect revenue information for PPP borrowers.

Performance in 2022 improved significantly compared to 2021; however, the performance was still below D&B data. It is recognized that D&B data is not a true indicator of demand as the small businesses surveyed by D&B may not have credit needs or may not be creditworthy. In addition, examiners compared the bank’s 2022 performance to the previous evaluations performance from 2018 and 2019, which were also years without PPP loans. HB’s performance is comparable to the good performance at the previous evaluation where the percent of loans to businesses with GARs of \$1 million or less was 65.2 percent and 59.3 percent, respectively. Therefore, given this information and the improving trend, the overall performance is good.

### Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels. The following table shows the distribution of loans by borrower income category.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Assessment Area: Los Angeles</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	23.7	1	0.3	251	0.1
Moderate					
2022	16.5	4	1.1	1,948	0.7
Middle					
2022	17.9	45	12.7	17,623	6.6
Upper					
2022	41.9	180	51.0	154,616	57.7
Not Available					
2022	0.0	123	34.8	93,673	34.9
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>353</b>	<b>100.0</b>	<b>268,111</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

As shown in the above table, HB’s lending to both low- and moderate-income borrowers is far below available demographic data. The low percentage of loans to low-income borrowers is impacted by the percentage of families living below poverty in the assessment area. Specifically, approximately 10.0 percent of the low-income population lives below poverty. Examiners also considered home mortgage lending to middle-income borrowers due to the high cost of the housing in the assessment area, which shows that lending is approximately 5.2 percentage points below the percentage of middle-income families. The very low number of home mortgage loans originated or purchased to low- and moderate-income borrowers reflects poorly on the bank’s performance.

### **Community Development Loans**

The institution made an adequate level of CD loans. During the evaluation period, HB originated 38 CD loans for approximately \$176.0 million inside the assessment area. This level of activity is less than the previous evaluation where the institution made 62 CD loans for \$235.0 million. However, when controlling for the length of the evaluation period, the current level of CD loans represents a 10.0 percent decrease by number of loans and a 11.0 percent increase by dollar volume from the previous evaluation. The bank’s performance reflects positively when compared to similarly-situated institutions that operate in the assessment area. The following table illustrates the bank’s CD lending activity by year and CD 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>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021 (May – Dec)	1	3,600	4	24,525	6	30,525	1	10,000	<b>12</b>	<b>68,650</b>
2022	3	2,272	4	43,300	13	33,195	0	0	<b>20</b>	<b>78,767</b>
YTD 2023	0	0	1	2,000	5	26,650	0	0	<b>6</b>	<b>28,650</b>
<b>Total</b>	<b>4</b>	<b>5,872</b>	<b>9</b>	<b>69,825</b>	<b>24</b>	<b>90,370</b>	<b>1</b>	<b>10,000</b>	<b>38</b>	<b>176,007</b>

*Source: Bank Data*

The qualitative characteristics of the bank’s CD lending is not particularly noteworthy. Below are notable examples of CD loans that benefitted the assessment area during the review period.

- In 2021, the bank renewed a \$10.0 million revolving line of credit to a hospital that provides health care services in primarily low- and moderate-income CTs.
- In 2021, the bank originated a \$9.0 million SBA 504 loan to finance the purchase of a 6-story office building in a moderate-income CT that will be leased to an organization that supports low- and moderate-income children and families.
- In 2022, HB originated a \$1.2 million dollar SBA 7(a) loan to purchase an existing full-service restaurant that employs 14 full-time and 21 part-time employees. A majority of the jobs are part-time with salaries ranging from \$15 to \$17 per hour. The loan helps support economic development by financing a small business and retaining jobs for low- and moderate-income individuals.

## **INVESTMENT TEST**

The institution has an adequate level of qualified CD investments and donations in the Los Angeles assessment area. The institution exhibits good responsiveness to credit and CD needs. The institution occasionally uses innovative and complex investments.

### **Investment and Grant Activity**

The institution has an adequate level of CD investments and donations, although rarely in a leadership position, particularly those not routinely provided by private investors. HB continued to hold three prior period investments with an outstanding book value of \$4.1 million that directly supported affordable housing for low- and moderate-income individuals in the Los Angeles assessment area. HB made one new \$7.5 million investment to a SBIC, which directly supported economic development in the assessment area. Additionally, HB made 14 donations totaling \$281,080 that directly benefitted the assessment area. HB also made two donations to statewide organizations that support economic development in the California assessment areas of which \$20,000 directly benefitted the Los Angeles assessment area.

The institution’s current volume of qualified investments directly impacting the assessment area significantly decreased compared to the previous evaluation’s \$17.5 million volume. HB’s CD donation

activity also decreased by dollar volume since the previous evaluation where the institution made 52 grants for approximately \$519,840. However, when controlling for the length of the evaluation period, CD investments remain similar to the previous evaluation. Lastly, HB's investment activity in the Los Angeles assessment area was below the performance of three similarly situated institutions, but the performance was still within a reasonable range. Below are notable examples of qualified donations made in the Los Angeles assessment area during the evaluation period:

- The bank donated \$15,000 to an organization that provides a financial support system for small business owners through access to capital and a community of resources and education empowerment.
- The bank donated \$11,000 to an organization that provides financial literacy and other educational service to low- and moderate-income adults with disabilities.
- The bank donated \$10,000 to an organization that helps individuals achieve economic self-sufficiency for themselves and their families through workforce development, business development, early childhood education, and affordable housing.

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

HB exhibits good responsiveness to credit and CD needs. All of the institution's investments supported economic development and affordable housing, which were primary CD needs for the assessment area.

### **Community Development Initiatives**

The institution occasionally uses innovative and complex investments to support CD initiatives. The bank's qualified CD investments impacting the Los Angeles assessment area consisted of an investment in an SBIC and prior period investments in three LIHTC, which are considered more complex investments.

### **SERVICE TEST**

Delivery systems are accessible to essentially all portions of the Los Angeles assessment area. HB did not open or close any branches in this assessment area during the evaluation period. Services, including business hours, do not vary in a way that inconveniences portions of the assessment area. HB provided a relatively high level of CD services.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the assessment area. The branch distribution and alternative delivery systems in the Los Angeles assessment area are consistent with the institution overall. HB operates 19 full-service branches in the Los Angeles assessment area. Branches in low-income CTs are 12.8 percentage points greater than branches operated by other institutions in these geographies in the assessment area. This performance was also higher than the percentage of households and families in low-income geographies in the assessment area. HB branches in moderate-income CTs are nearly 13.0 percentage points greater than other institutions branches that operate in moderate-income geographies. This performance was consistent with the percentage of households and

families located in moderate-income geographies in the assessment area. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment area by income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Assessment Area: Los Angeles</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	178	5.7	690,846	5.2	3	15.8	3	18.8
Moderate	856	27.5	3,735,465	28.3	6	31.6	5	31.3
Middle	926	29.8	4,083,946	30.9	7	36.8	6	37.5
Upper	1,071	34.4	4,542,994	34.4	3	15.8	2	12.5
NA	81	2.6	147,747	1.1	0	0.0	0	0.0
<b>Totals</b>	<b>3,112</b>	<b>100.0</b>	<b>13,200,998</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>								

### **Changes in Branch Locations**

HB did not open or close any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the rated area’s Service Test conclusions.

### **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 individuals. Products and services offered in the assessment area are consistent with the institution overall. Branch hours vary slightly at some of the branches. All of the assessment area branches are open 9:00 a.m. to 5:00 p.m. Monday through Thursday. Branch hours vary slightly on Fridays with hours ranging from 9:00 a.m. to 6:00 p.m. The institution does not operate drive-through services at any of the assessment area locations.

### **Community Development Services**

HB provided a relatively high level of CD services in the Los Angeles assessment area. During the evaluation period, 174 employees contributed 2,434 CD service hours to 28 organizations. In total, bank employees provided 633 instances of CD service activity during the review period. This performance represented a significant increase from the previous evaluation’s 1,250 CD service hours. When controlling for length of evaluation period, the institution’s hours increased by 188.4 percent since the previous evaluation. The level of CD services by total hours and when controlling for review period exceeded the performance of two similarly situated institutions, but was below the performance of another institution who is a leader. The majority of the services provided consisted of community service activities targeted to low- and moderate-income individuals and families. The following table details HB’s CD service hours by year and CD type.

<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># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
2021 (May – Dec)	60	121	0	0	<b>181</b>
2022	60	1,228	21	0	<b>1,309</b>
YTD 2023	0	944	0	0	<b>944</b>
<b>Total</b>	<b>120</b>	<b>2,293</b>	<b>21</b>	<b>0</b>	<b>2,434</b>
<i>Source: Bank Records</i>					

The following are notable examples of CD services provided in the Los Angeles assessment area.

- Throughout the review period, one HB employee served on the Board of an organization that serves the needs of the Korean American population and promotes community socioeconomic empowerment in the greater Los Angeles assessment. There were 78 HB employees who provided 796 hours of free income tax return preparation services for the economically disadvantaged families the organization serves.
- Throughout the review period, 43 HB employees provided 213 services of financial education to 7 organizations by teaching FDIC’s Money Smart curriculum to low- and moderate-income adults.
- In 2022 and 2023, 29 HB employees provided 671 hours of tax services at an organization that provided free income tax return preparation for low- and moderate-income families.

### **OTHER ASSESSMENT AREAS – Limited-Scope Review**

### **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED- SCOPE ASSESSMENT AREAS**

The following table summarizes HB’s performance in the California assessment areas reviewed using limited-scope examination procedures. The following conclusions are based on a review of available facts and data, aggregate lending comparison, and demographic information.

<b>Assessment Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
San Diego	Below	Consistent	Below
San Francisco	Below	Below	Below
Santa Clara	Below	Below	Below

The following sections provide a summary of HB’s operations and activities in each assessment area. Descriptions of the assessment areas, including demographic data, deposit and loan market share , and geographic distribution and borrower profile tables are included in the Appendices.

#### **San Diego**

The institution operates one-full service branch in in a middle-income CT in the assessment area.

Branch locations did not change during the review period.

HB made one new nationwide mortgage back security investment, of which \$4.7 million directly benefited the San Diego assessment area despite not having made any investments or donations solely impacting the assessment area. In addition, HB made one state-wide donation to an organization that supports economic development in the California assessment areas of which \$15,000 directly benefited the San Diego assessment area. The following table shows lending, investment and service activity in the San Diego assessment area during the review period.

<b>Activity</b>	<b>#</b>	<b>\$ (000's)</b>
Small Business Loans	81	22,892
Home Mortgage Loans	12	12,750
Community Development Loans	4	5,516
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	0	0
CD Services	66 hours	-
<i>Source: Bank Data</i>		

### **San Francisco**

The institution operates one-full service branch in a moderate-income CT in this assessment area. Branch locations in the assessment area did not change during the review period.

In addition to the donation listed below, HB made one state-wide donation to an organization that supports economic development in the California assessment areas of which \$5,000 directly benefited the San Francisco assessment area. The following table shows lending, investment and service activity in the San Diego assessment area during the review period.

<b>Activity</b>	<b>#</b>	<b>\$ (000's)</b>
Small Business Loans	26	2,314
Home Mortgage Loans	14	11,463
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	1	5
CD Services	48 hours	-
<i>Source: Bank Data</i>		

### **Santa Clara**

The institution operates one-full service branch in a middle-income CT in the Santa Clara assessment area. Branch locations in the assessment area did not change during the review period.

HB made one new nationwide mortgage back security investment of which \$426,251 directly benefited the Santa Clara assessment area despite not having made any investments or donations that solely impacted the assessment area. In addition, HB made one state-wide donation to an organization that supports economic development in the California assessment areas of which \$5,000 directly benefited the Santa Clara assessment area. The following table shows lending,

investment and service activity in the Santa Clara assessment area during the review period.

Activity	#	\$ (000's)
Small Business Loans	48	6,787
Home Mortgage Loans	11	7,506
Community Development Loans	1	1,960
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	0	0
CD Services	40 hours	-
<i>Source: Bank Data</i>		

## STATE OF TEXAS

### CRA RATING FOR TEXAS: 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 TEXAS

The state of Texas includes two assessment areas, as described in the following table. Refer to the individual assessment areas for key demographic and economic information specific to each area.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Dallas	Collin, Dallas, and Tarrant	1,314	4
Houston	Harris	1,115	3
<i>Source: Bank Records &amp; 2020 US Census Data</i>			

## SCOPE OF EVALUATION – TEXAS

The state of Texas CRA rating is based on a full-scope evaluation of the bank's performance in the Dallas and Houston assessment areas. The Dallas assessment area carries more weight compared to the Houston assessment area. Refer to the overall Scope of Evaluation section for a description of products reviewed and data sources.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN TEXAS

### LENDING TEST

HB is rated "Low Satisfactory" in the Lending Test in the state of Texas. The bank's performance in the Dallas assessment area was consistent with the state conclusions, performance in the Houston

assessment area was below the state conclusions.

### **Lending Activity**

HB's lending levels reflect adequate responsiveness to assessment area credit needs. Refer to each assessment area analysis for details.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment areas. The performance is consistent in the more heavily weighted Dallas assessment area with inconsistent performance in the Houston assessment area. Refer to the individual assessment area sections for more details.

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and individuals of different income levels. The bank's performance is consistent in the more heavily weighted Dallas assessment area and inconsistent in the Houston assessment areas. Refer to the individual assessment area sections for more information.

### **Community Development Loans**

HB made an adequate level of CD loans in Texas. HB originated 9 CD loans totaling \$76.9 million in the state. This level of activity is an improvement over the low level made at previous evaluation where the bank made 5 CD loans for \$37.7 million. The performance in both assessment areas is consistent with the overall conclusion. The majority of HB's CD lending supported economic development and occurred in the lesser-weighted Houston assessment area. Refer to the full-scope sections for further details and notable examples of community development loans in Texas.

## **INVESTMENT TEST**

HB is rated "Low Satisfactory." The bank's performance in both Texas assessment areas was consistent with this conclusion.

### **Investment and Grant Activity**

The institution has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. HB's investment activity in Texas consisted of one \$6.5 million municipal security in the Dallas assessment area and one \$1.5 million mortgage back security in the Houston assessment area. HB also made two new nationwide mortgage back security investments, of which \$2.6 million directly benefited the Dallas and Houston assessment areas. The bank did not hold any prior period investments that solely benefited an individual Texas assessment area or the Texas statewide area. The institution's investment activity was consistent in both the Dallas and Houston assessment areas.

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

HB exhibits good responsiveness to credit and CD needs. All of the institution's investments supported

economic development and affordable housing, which were primary CD needs for the Texas assessment areas.

### **Community Development Initiatives**

The institution rarely uses innovative and complex investments to support CD initiatives. The bank's qualified CD investments impacting the Texas assessment areas consisted of assessment area specific mortgage back securities, nationwide mortgage back securities, and a municipal security none of which are particularly innovative or complex.

### **SERVICE TEST**

HB is rated "Low Satisfactory" in the Service Test for the state of Texas. The institution's performance in the Dallas and Houston assessment areas was consistent with this conclusion.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the Texas assessment areas. The branch distribution and alternative delivery systems are consistent with the institution overall. HB operates seven branches in Texas: one in low-, two in moderate-, and four in middle-income CTs. HB also operates one loan production office in the Dallas assessment area. Refer to each individual assessment area analysis for additional details.

### **Changes in Branch Locations**

HB did not open or close any branches in Texas during the evaluation period; therefore, this criterion did not affect the rated area's Service Test conclusions.

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

Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas. Products and services offered in Texas are consistent with the institutions overall. Branch locations have generally similar hours that vary slightly according to area needs. Refer to the individual assessment area analysis for details.

### **Community Development Services**

HB provided an adequate level of CD services. During the evaluation period, 21 bank personnel contributed 336 CD service hours to 19 organizations. CD service hours increased since the previous evaluation, where 14 bank employees provided 97 hours to 3 organizations. The bank's performance was similar to an institution who had an adequate level of CD services. The majority of service hours supported economic development in the assessment areas. The following table details the institution's CD services by assessment area and CD purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	# hours	# hours	# hours	# hours	# hours
Dallas	0	70	105	0	175
Houston	0	59	102	0	161
<b>Total</b>	<b>0</b>	<b>129</b>	<b>207</b>	<b>0</b>	<b>336</b>

Source: Bank Records

## DALLAS ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE DALLAS ASSESSMENT AREA

The Dallas assessment area is located in North Texas and consists of the contiguous counties of Collin, Dallas, and Tarrant. These counties are 3 of 11 counties in the Dallas-Fort Worth-Arlington MSA. There were no changes to the assessment area since the previous evaluation.

#### Economic and Demographic Data

According to the 2020 US Census Data, the Dallas assessment area contains 144 low-, 372 moderate-, 362 middle-, 415 upper-income CTs, and 21 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Dallas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,314	11.0	28.3	27.5	31.6	1.6
Population by Geography	5,788,644	10.4	27.7	28.7	32.4	0.9
Housing Units by Geography	2,184,380	11.0	26.8	29.4	32.0	0.9
Owner-Occupied Units by Geography	1,140,967	5.4	22.4	30.8	41.0	0.4
Occupied Rental Units by Geography	880,966	17.2	32.0	28.1	21.2	1.4
Vacant Units by Geography	162,447	16.2	29.4	25.8	26.8	1.8
Businesses by Geography	938,888	5.1	18.5	30.3	45.1	0.9
Farms by Geography	13,653	4.1	18.4	30.5	46.4	0.7
Family Distribution by Income Level	1,370,139	23.6	17.8	19.1	39.5	0.0
Household Distribution by Income Level	2,021,933	24.1	17.3	18.0	40.6	0.0
Median Family Income MSA - 19124 Dallas-Plano-Irving, TX		\$88,315	Median Housing Value			\$246,347
Median Family Income MSA - 23104 Fort Worth-Arlington-Grapevine, TX		\$82,649	Median Gross Rent			\$1,223
			Families Below Poverty Level			9.0%

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.

Examiners also reviewed changes between the 2015 ACS compared to the 2020 U.S. Census data to determine if there were any data changes that impacted performance context. With the change in

census, branches in moderate-income CTs changed from two to one. The percentage of low-income census tracts declined from 15.0 percent and vacant units from 23.0 percent. The percentage of families living below poverty level declined from 12.5 percent, median family income increased in MSA 19124 from \$71,149, median family income increased in MSA 23104 from \$69,339, median housing value increasing from \$177,435, and median gross rent increased from \$975.

The assessment area's 938,888 businesses reported GARs as follows:

- 91.6 percent had \$1 million or less,
- 2.5 percent had more than \$1 million, and
- 5.9 percent did not report revenue information.

Services represent the largest industry at 33.2 percent of businesses followed by non-classifiable establishments at 30.2 percent; finance, insurance, and real estate at 12.1 percent; and retail trade at 8.9 percent.

Examiners obtained the following economic information from Moody's Analytics as of February 2023. Job growth in the assessment area has kept up at a strong, stable pace that is twice the national average. Every major industry has outperformed the corresponding national total except government. The hospitality, financial, and healthcare segments have performed especially well. The unemployment rate has been stable in the 3.5 percent range since mid-2022, reflecting full employment, and labor force growth that has been twice the national average. Notwithstanding the assessment area's strong economic performance, homebuilding has declined substantially. The area's strengths include a stable demand for professional services, a well-positioned distribution center for the Southwest as international trade grows, and favorable migration trends. The area's weaknesses include exposure to a volatile high tech industry and diminished housing affordability. The area's top three employers include Walmart Incorporated, American Airlines, and Baylor Scott & White Health.

### **Competition**

The Dallas assessment area is highly competitive for financial services. According to the June 30, 2022 FDIC Deposit Market Share Report, 151 banks operate 1,243 branches and share \$399.4 billion in deposits within the area. The top five institutions control 70.1 percent of the assessment area's deposit market share with a combined \$279.9 billion in deposits. The five largest financial institutions are Bank of America, JPMorgan Chase Bank, Texas Capital Bank, Wells Fargo Bank, and Frost Bank. According to the same data, HB operates 4 branches that maintain \$163.1 million in deposits, representing 0.1 percent of the assessment area's deposits and ranking the institution 89th in the assessment area based on deposit market share.

### **Community Contact**

Examiners reviewed an existing community contact that represents a local community service organization. The contact noted that, although the Dallas area is experiencing solid growth, affordable housing, particularly in low- and moderate-income areas, continues to represent a primary need. There is also a need to reach and provide general banking services for the unbanked and a need for physical bank locations, with extended hours, particularly on Saturdays, that would allow local financial institutions to better serve the assessment area's banking needs. Lastly, the contact mentioned that,

although small businesses have access to capital, many small businesses are unable to qualify because of strict underwriting standards.

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

Based on economic information, the community contact, and bank information, examiners identified credit and CD needs and opportunities for small business lending, banking services for the unbanked, extending banking hours on the weekends, and participation in affordable housing programs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE DALLAS ASSESSMENT AREA**

### **LENDING TEST**

Lending levels within the Dallas assessment area reflects adequate responsiveness. The geographic distribution of loans reflects good penetration throughout the assessment area. The distribution of borrowers reflects adequate penetration. HB made an adequate level CD loans in the assessment area.

#### **Lending Activity**

HB's lending levels reflect adequate responsiveness to assessment area credit needs. During the evaluation period, HB originated 124 small business loans totaling \$25.3 million and 12 home mortgage loans totaling \$3.2 million in the assessment area. At the previous evaluation, HB originated 281 small business loans totaling \$30.1 million over a three-year evaluation period with a conclusion of adequate responsiveness. After accounting for the varying evaluation timeframes, HB's level of small business lending decreased approximately 34.0 percent by number and 18.0 percent by dollar volume of loans since the previous examination. The decrease in lending is partly attributed to a decrease in PPP lending in 2021 compared to 2020.

In 2021, HB ranked 89<sup>th</sup> out of 332 lenders who reported 187,547 originated or purchased small business loans in the assessment area, giving HB a market share of 0.1 percent by number and 0.2 percent by dollar volume. HB's small business market share remained at a similar level to the previous evaluation where the institution ranked 86<sup>th</sup> in 2018 and 91<sup>st</sup> in 2019.

#### **Geographic Distribution**

Overall, the geographic distribution of loans in represents good penetration throughout the Dallas assessment area. The penetration is good among retail customers of different income levels and business customers of different revenue sizes and poor among individuals of different revenue categories.

#### **Small Business Loans**

The geographic distribution of small business loans represents good penetration. Refer to the table below for the distribution of loans by tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Dallas</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	7.7	8.2	14	13.9	2,221	14.5
2022	5.1	-	4	17.4	2,290	22.8
<b>Moderate</b>						
2021	19.7	21.1	33	32.7	6,247	40.9
2022	18.5	-	4	17.4	818	8.2
<b>Middle</b>						
2021	24.8	23.6	32	31.7	4,258	27.9
2022	30.3	-	10	43.5	4,563	45.5
<b>Upper</b>						
2021	46.9	46.4	19	18.8	2,426	15.9
2022	45.1	-	5	21.7	2,356	23.5
<b>Not Available</b>						
2021	0.8	0.8	3	3.0	117	0.8
2022	0.9	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>15,269</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>23</b>	<b>100.0</b>	<b>10,027</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, HB’s lending in both low- and moderate-income CTs outperformed both aggregate and D&B data. Specifically, lending in low-income CTs exceeded aggregate by nearly 6.0 percentage points with lending in moderate-income CTs exceeding aggregate by nearly 12.0 percentage points. HB’s lending in low-income CTs improved by 3.5 percentage points in 2022, by percentage of loans and remained significantly higher than the percentage of businesses. Lending in moderate-income CTs decreased by 15.3 percentage points in 2022; however, it was similar to the percentage of businesses.

### Home Mortgage Loans

The geographic distribution of home mortgage loans represents poor penetration. Refer to the following table for the distribution of loans by tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Assessment Area: Dallas</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	5.4	0	0.0	0	0.0
Moderate					
2022	22.4	1	8.3	218	6.9
Middle					
2022	30.8	8	66.7	1,894	59.9
Upper					
2022	41.0	3	25.0	1,051	33.2
Not Available					
2022	0.4	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3,163</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

The bank did not originate any home mortgage loans in low-income CTs in 2022. The bank's performance in moderate-income CTs was approximately 14.0 percentage points below the percentage of owner occupied housing units reflecting poorly on performance.

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration in the Dallas assessment area. The penetration is adequate among retail customers of different income levels and business customers of different revenue size and poor among individuals of different revenue categories.

### **Small Business Loans**

The distribution of small business loans reflects adequate penetration among businesses of different revenue sizes. Refer to the table below for the distribution of loans by borrower revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Dallas</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	88.0	42.6	23	22.8	9,227	60.4
2022	91.6	-	18	78.3	7,292	72.7
<b>&gt;\$1,000,000</b>						
2021	3.8	-	5	5.0	1,203	7.9
2022	2.5	-	5	21.7	2,735	27.3
<b>Revenue Not Available</b>						
2021	8.2	-	73	72.3	4,839	31.7
2022	5.9	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>15,269</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>23</b>	<b>100.0</b>	<b>10,027</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, the institution’s lending to businesses with GARs of \$1 million or less substantially trailed both aggregate and D&B data. Specifically, the bank’s small business lending to small businesses trailed aggregate by nearly 20.0 percentage points and D&B by approximately 65.0 percentage points. In 2021, a majority of HB’s small business loans were originated under the SBA PPP. The SBA did not require, and the bank did not collect revenue information for PPP borrowers.

In 2022, the bank’s performance improved significantly when compared to 2021; however, the performance was approximately 13.0 percentage points below D&B data. As mentioned previously, D&B data is not a true indicator of demand as the small businesses surveyed by D&B may not have credit needs or may not be creditworthy. In addition, examiners compared the bank’s 2022 performance to the prior exams performance of 2018 and 2019, which were also years without PPP loans. HB’s 2022 performance compared favorably to the good performance at the previous evaluation. Therefore, given this information and the improving trend, the performance is adequate.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels. Refer to the following table for the distribution of loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Assessment Area: Dallas</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	23.6	0	0.0	0	0.0
Moderate					
2022	17.8	2	16.7	566	17.9
Middle					
2022	19.1	5	41.7	1,123	35.5
Upper					
2022	39.5	2	16.7	854	27.0
Not Available					
2022	0.0	3	25.0	621	19.6
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3,163</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

In 2022, the bank did not make any loans to low-income borrowers. Lending performance in moderate-income CTs was slightly below the percentage of families.

### **Community Development Loans**

HB made an adequate level of CD loans. During the evaluation period, the bank originated 4 CD loans for \$8.4 million in the assessment area. All of the CD loans were originated in 2022. This level of activity represented an increase from the previous evaluation where the bank originated 2 CD loans for \$2.2 million, representing a low level. HB's CD lending by dollar volume was similar to a similarly situated institution who also had an adequate level of CD lending. All of the CD loans supported economic development. Below is a notable example of a CD loan benefitting the assessment area.

- In 2022, the bank originated a \$750,000 loan to provide working capital to an assessment area CDFI whose focus is to provide funding to women-owned, low-income, and under-resourced small businesses. Loan programs offered through the organization include SBA 504, SBA Community Advantage, micro loans, and other financial support.

### **INVESTMENT TEST**

HB has an adequate level of qualified CD investments and grants in the Dallas assessment area. The institution exhibits good responsiveness to credit and CD needs. The bank rarely uses innovative and complex investments.

### **Investment and Grant Activity**

The institution has an adequate level of CD investments and grants, although rarely in a leadership position, particularly those not routinely provided by private investors. HB made one new \$6.5 million dollar municipal security investment that directly supports economic development in the Dallas assessment area. Additionally, HB made two new nationwide investments consisting of

mortgage back securities, of which \$1.4 million directly benefited the Dallas assessment area.

The institution's level of qualified investment activity decreased from the previous evaluation where HB made \$10.0 million in qualified investments and grants in the assessment area, which represented an adequate level. However, when controlling for the evaluation period, CD investments are comparable to the performance at the previous evaluation. HB's volume of CD investments and grants were below the performance of three similarly situated institutions but still within a reasonable range.

HB made five donations totaling \$20,500 directly benefitting the assessment area during the review period. Of the \$20,500, \$5,000 went to an organization supporting affordable housing with \$15,500 going to 4 organizations supporting economic development. Below are two notable examples of qualified grants made in the Dallas assessment area during the evaluation period:

- The bank donated \$5,000 to a CDFI organization that helps small business owners gain financial support through SBA micro-loans, SBA 504 Loans, and the SBA Community Advantage program.
- The bank donated \$5,000 to an organization that aims to prepare low- and moderate-income students to succeed in a global economy by using experiential learning programs that foster work-readiness, entrepreneurship, and financial literacy skills.

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

HB exhibits good responsiveness to credit and CD needs. The institution's investments supported economic development and affordable housing, which are identified assessment area needs.

### **Community Development Initiatives**

The institution rarely uses innovative and/or complex investments to support CD initiatives. The bank's qualified CD investments impacting the Dallas assessment area consisted of a municipal security and nationwide mortgage-backed securities, none of which are innovative or complex.

### **SERVICE TEST**

Delivery systems are accessible to essentially all portions of the Dallas assessment area. HB did not open or close any branches in this assessment area during the evaluation period. Services, including business hours, do not vary in a way that inconveniences portions of the assessment area. HB provided an adequate level of CD services.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The branch distribution and alternative delivery systems in the Dallas assessment area are not consistent with the institution overall. HB operates four full-service branches in the Dallas assessment area. The bank only operates one of its four branches in low- and moderate-income CTs. The one branch is in a moderate-

income CT, compares favorably to the 20.7 percent of branches other institutions operate in these geographies. Additionally, the institution operates one loan production office in the assessment area. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment area by income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	154	9.0	638,873	8.4	0	0.0	0	0.0
Moderate	445	26.1	1,932,471	25.3	1	25.0	0	0.0
Middle	522	30.6	2,419,635	31.7	3	75.0	2	100.0
Upper	559	32.8	2,586,844	33.9	0	0.0	0	0.0
NA	24	1.4	59,564	0.8	0	0.0	0	0.0
<b>Totals</b>	<b>1,704</b>	<b>100.0</b>	<b>7,637,387</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>								

### **Changes in Branch Locations**

HB did not open or close any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the rated area’s Service Test conclusions.

### **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. Products and service offered in the assessment area are consistent with the institution overall. Regular branch hours are from 9:00 a.m. to 5:00 p.m. on weekdays. All four assessment area branches offer drive-up window service during regular branch hours.

### **Community Development Services**

HB provided an adequate level of CD services in the Dallas assessment area. During the evaluation period, 9 employees contributed 175 CD service hours to 9 organizations. In total, bank employees provided 26 instances of CD service activities during the review period. This performance represented an increase from the prior evaluation’s 86 CD service hours, which represented a limited level. When controlling for length of evaluation period, the institution’s hours increased by 201.2 percent since the previous evaluation. The level of CD services compared favorable to two similarly situated institutions, who had a limited level of CD services. The majority of service hours supported economic development. The following table details HB’s CD service hours by year and CD type.

<b>Community Development Services – Dallas</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># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
5/3/2021 – 12/31/2021	0	0	12	0	12
2022	0	37	87	0	124
1/1/2023- 5/31/2023	0	33	6	0	39
<b>Total</b>	<b>0</b>	<b>70</b>	<b>105</b>	<b>0</b>	<b>175</b>
<i>Source: Bank Records</i>					

The following is a description of notable CD service activities provided in the assessment area during the evaluation period.

- Throughout the review period, one bank employee served on the Board and six employees provided financial education to a CDFI organization that helps small business owners gain financial support through SBA micro-loans, SBA 504 Loans, and the SBA Community Advantage.
- In 2022, four HB employees provided financial education to college students through a program that helps young adults from low-income communities build meaningful careers in banking, through a free, eight-week career training, placement assistance, and ongoing coaching.

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

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE HOUSTON ASSESSMENT AREA**

The Houston assessment area is located in Southeast Texas and consists of Harris County. This county is 1 of 9 counties in the Houston-The Woodlands-Sugar Land MSA. There were no changes to the assessment area since the previous evaluation.

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

According to the 2020 US Census Data, the Houston assessment area contains 202 low-, 313 moderate-, 272 middle-, 290 upper-income CTs, and 38 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Houston						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,115	18.1	28.1	24.4	26.0	3.4
Population by Geography	4,731,145	15.1	27.4	27.9	27.6	1.9
Housing Units by Geography	1,795,219	15.8	26.9	26.5	28.5	2.3
Owner-Occupied Units by Geography	897,913	7.5	23.4	30.8	37.3	1.0
Occupied Rental Units by Geography	737,836	24.4	30.9	22.4	18.7	3.6
Vacant Units by Geography	159,470	22.4	27.7	21.4	24.8	3.7
Businesses by Geography	720,615	11.6	22.2	23.8	39.8	2.7
Farms by Geography	8,659	8.6	19.6	26.3	43.4	2.0
Family Distribution by Income Level	1,113,437	27.2	17.8	17.9	37.1	0.0
Household Distribution by Income Level	1,635,749	27.2	17.1	17.2	38.5	0.0
Median Family Income MSA - 26420 Houston-The Woodlands-Sugar Land, TX MSA		\$81,859	Median Housing Value			\$222,716
			Median Gross Rent			\$1,156
			Families Below Poverty Level			12.7%
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners also reviewed changes between the 2015 ACS compared to the 2020 U.S. Census data to determine if there were any changes impacting performance context. With the change in census, branches in low-income CTs changed from two to one and branches in moderate-income CTs changed from zero to one. Moderate-income geographies declined from 31.8 percent, population in moderate-income geographies declined from 30.7 percent, median family income increased from \$69,373, median housing value increased from \$171,147, and families below poverty decreased from 14.9 percent.

The assessment area’s 720,615 businesses reported GARs as follows:

- 91.6 percent had \$1 million or less,
- 2.9 percent had more than \$1 million, and
- 5.5 percent did not report revenue information.

Services represent the largest industry at 31.6 percent of businesses followed by non-classifiable establishments at 30.2 percent; finance, insurance, and real estate at 10.7 percent; and retail trade at 9.4 percent.

Examiners obtained the following economic information from Moody’s Analytics as of February 2023. Assessment area job growth has slowed since fourth quarter 2022; however, gains made during 2022 were nearly twice the national average. Almost all private-sector industries have outperformed their national counterparts. Core manufacturing and professional services led the way in the second half of 2022, and hospitality has significantly surpassed its pre-pandemic peak. The unemployment rate has been steady at 4.4 percent, and the labor force growth has been twice the national average in the past year. However, the housing market has weakened substantially. The area’s strengths include leadership in oil and gas technology supporting technical and professional service jobs and significant trade and export links due to the proximity to the location on the Gulf Coast of Texas. The area’s weaknesses

include unpredictable energy markets and industrial diversity that is lower than in other metro areas of comparable size. The top three employers include Exxon Mobile Corporation, Wood, and Landry's, Incorporated.

### **Competition**

The Houston assessment area is highly competitive for financial services. According to the June 30, 2022 FDIC Deposit Market Share Report, 79 banks operate 896 branches and share \$318.6 billion in deposits within the area. The top five institutions control 77.4 percent of the assessment area's deposit market share with a combined \$246.5 billion in deposits. The five largest financial institutions include Bank of America, JPMorgan Chase Bank, Zions Bancorporation, Wells Fargo Bank, and PNC Bank. According to the same data, HB operates 3 branches that maintain \$128.6 million in deposits, representing less than 0.1 percent of the assessment area's deposits and ranking the institution 54<sup>th</sup> in the assessment area based on deposit market share.

### **Community Contact**

Examiners reviewed an existing community contact with an organization familiar with the area's business and economic environment. The community contact indicated that Harris County's economy is relatively stable, but lacks population growth and would benefit from job creation initiatives to help retain existing residents. According to the contact, housing stock is generally affordable, although somewhat limited and aging. The contact indicated that local financial institutions support local economic development initiatives, and continue to serve the primary needs of the area, which include small business loans and loans to individuals for consumer or housing purposes.

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

Based on economic information, the community contact, and bank information, examiners identified participation in affordable housing programs and CD efforts geared toward revitalization and stabilization efforts as credit and CD needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HOUSTON ASSESSMENT AREA**

### **LENDING TEST**

Lending levels within the Houston assessment area reflect poor responsiveness. The geographic distribution of loans reflects poor penetration throughout the assessment area. The distribution of borrowers reflects poor penetration. HB made an adequate level of CD loans in the assessment area.

### **Lending Activity**

HB's lending levels reflect poor responsiveness to assessment area credit needs. During the evaluation period, HB originated 20 small business loans totaling \$4.9 million and 8 home mortgage loan totaling \$1.7 million in the assessment area. At the previous evaluation, HB originated 141 small business loans totaling \$13.7 million over a three-year evaluation period. After accounting for the varying evaluation timeframes, HB's level of small business lending decreased approximately 86.0 percent by number and

64.0 percent by dollar volume since the previous examination. The decrease in lending can be partially attributed to a decrease in PPP lending in 2021 compared to 2020.

In 2021, HB ranked 107<sup>th</sup> out of 303 lenders who reported 161,809 originated or purchased small business loans in the assessment area, giving HB a market share of less than 0.1 percent by both number and dollar volume.

**Geographic Distribution**

Overall, the geographic distribution of loans in represents poor penetration throughout the Houston assessment area.

**Small Business Loans**

The geographic distribution of small business loans represents poor penetration. Refer to the table below for the distribution of loans by tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Houston</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	12.6	13.1	8	47.1	1,318	27.8
2022	11.6	-	1	33.3	20	33.3
<b>Moderate</b>						
2021	21.1	22.4	3	17.6	1,486	31.3
2022	22.2	-	1	33.3	20	33.3
<b>Middle</b>						
2021	21.5	23.5	4	23.5	976	20.6
2022	23.8	-	1	33.3	20	33.3
<b>Upper</b>						
2021	44.6	40.8	2	11.8	966	20.4
2022	39.8	-	0	0.0	0	0.0
<b>Not Available</b>						
2021	0.3	0.2	0	0.0	0	0.0
2022	2.7	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4,746</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, HB’s lending in low-income CTs significantly outperformed both aggregate and D&B data. However, the bank’s lending performance in moderate-income CTs was approximately 5.0 percentage points below aggregate data and 3.5 percentage points below D&B data. HB’s lending performance declined by approximately 14.0 percentage points in low-income CTs in 2022, but remained well above D&B data. In moderate-income CTs, the bank’s performance improved by percentage of loans and exceeded D&B data; however, the low volume of small business loans in 2022 makes it difficult to develop any meaningful conclusions. The decline in small business lending reflects negatively on the

bank's overall performance and is therefore, considered poor.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents very poor penetration. Of the eight loans originated or purchased, none were made in low- or moderate-income CTs.

**Borrower Profile**

Overall, the distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels in the Houston assessment area.

Small Business Loans

The distribution of small business loans reflects poor penetration among businesses of different revenue sizes. Refer to the table below for the distribution of loans by borrower revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Houston						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2021	87.4	40.5	3	17.6	1,830	38.6
2022	91.6	-	3	100.0	60	100.0
<b>&gt;\$1,000,000</b>						
2021	4.6	-	5	29.4	1,923	40.5
2022	2.9	-	0	0.0	0	0.0
<b>Revenue Not Available</b>						
2021	8.0	-	9	52.9	993	20.9
2022	5.5	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4,746</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>3</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

HB's lending to businesses with GARs of \$1 million or less substantially trailed aggregate and D&B data in 2021 as the majority of the bank's small business loans were originated under the SBA PPP. The SBA did not require, and the bank did not collect revenue information for PPP borrowers. Examiners do not view this fact positively or negatively in this CRA Evaluation. In 2022, the bank originated all three loans to businesses with GARs of \$1 million or less. The low number of loans in 2022 makes it difficult to develop any meaningful conclusions, reflecting overall poor performance.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels. Refer to the following table for the distribution of loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Assessment Area: Houston</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	27.2	0	0.0	0	0.0
Moderate					
2022	17.8	2	25.0	440	25.2
Middle					
2022	17.9	2	25.0	412	23.6
Upper					
2022	37.1	0	0.0	0	0.0
Not Available					
2022	0.0	4	50.0	895	51.2
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>1,747</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

The bank did not make any loans to low-income borrowers. The bank’s lending performance to moderate-income borrowers exceeded the percentage of families by approximately 7 percentage points; however, the percentage is based on a very low loan volume. Overall, the performance is poor.

### **Community Development Loans**

HB made an adequate level of CD loans. During the evaluation period, HB originated 5 CD loans for \$68.5 million in the assessment area. Of the 5 CD loans originated, 2 for \$55.6 million supported affordable housing and 3 for \$12.9 million supported economic development. This level of CD activity represented an increase from the previous evaluation where the bank originated 3 CD loans for \$35.5 million. HB’s CD lending was below a peer institution who was designated a leader. Below is a notable example of a CD loan that benefitted the assessment area.

- In 2022, the bank originated a \$10.0 million loan to provide working capital to a wholesale grocery business located in a low-income CT that employs 225 employees. The loan helps retain low- and moderate-income jobs.

### **INVESTMENT TEST**

HB has an adequate level of qualified CD investments and grants in the Houston assessment area. The institution exhibits adequate responsiveness to credit and CD needs. The bank rarely uses innovative and complex investments.

### **Investment and Grant Activity**

The institution has an adequate level of CD investments and grants, although rarely in a leadership position, particularly those not routinely provided by private investors. HB made one new \$1.5 million mortgage back security, which directly supports affordable housing for low- and moderate-income individuals in the Houston assessment area. Additionally, \$1.1 million of two new nationwide mortgage back security investments directly benefitted the assessment area. HB granted one donation totaling

\$5,000 to an organization supporting affordable housing in the Houston assessment area.

The institution's level of investment activity decreased from the previous evaluation where HB had \$5.5 million in nationwide investments and \$7,000 in donations that directly benefitted the assessment area that represented an adequate level. HB's volume of CD investments and donations was below the performance of two similarly situated institutions; however, the performance is still considered reasonable.

The following is a description of HB's donation activity within the assessment area.

- The bank donated \$5,000 to a HUD Approved Housing Counseling Agency that empowers low- and moderate-income individuals through financial and homebuyer counseling and education.

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

HB exhibits adequate responsiveness to credit and CD needs. The institution's investments supported affordable housing, which was an identified assessment area need.

### **Community Development Initiatives**

The institution rarely uses innovative and/or complex investments to support CD initiatives. The bank's qualified CD investments impacting the Houston assessment area consisted of one assessment area specific mortgage back security along with a portion of two nationwide mortgage back securities that are not considered innovative or complex.

### **SERVICE TEST**

The Service Test performance in the Houston assessment area is adequate. Delivery systems are accessible to essentially all portions of the Houston assessment area. HB did not close or open any branches in this assessment area during the evaluation period. Services, including business hours, do not vary in a way that inconveniences portions of the assessment area. HB provided an adequate level of CD services.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the assessment area. The branch distribution and alternative delivery systems in the Houston assessment area are consistent with the institution overall. HB operates three full-service branches in the Houston assessment area. One, or 33.3 percent, of the bank's branches is located in a low-income CT, which compares favorably to the 9.6 percent of branches other institutions operate in these geographies. One, or 33.3 percent, of the bank's branches is located in a moderate-income CT, which compares favorably to the 23.1 percent of branches other institutions operate in these geographies. The bank's branch locations in low- and moderate-income CTs are also above the percentage of households, families, and businesses located in these geographies. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment area by income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	216	13.4	751,022	10.5	1	33.3	1	33.3
Moderate	402	25.0	1,705,110	23.9	1	33.3	1	33.3
Middle	426	26.5	2,050,879	28.8	1	33.3	1	33.3
Upper	510	31.8	2,497,794	35.1	0	0.0	0	0.0
NA	52	3.2	117,435	1.6	0	0.0	0	0.0
<b>Totals</b>	<b>1,606</b>	<b>100.0</b>	<b>7,122,240</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>								

### **Changes in Branch Locations**

HB did not close or open any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the rated area's Service Test conclusions.

### **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 low- and moderate-income individuals. Products and service offered in the assessment area are consistent with the institution overall. Regular branch hours are from 9:00 a.m. to 5:00 p.m. on weekdays. All three assessment area branches offer drive-up windows during regular branch hours.

### **Community Development Services**

HB provided an adequate level of CD services in the Houston assessment area. During the evaluation period, 13 employees contributed 161 CD service hours to 12 organizations. In total, bank employees provided 26 instances of CD service activities during the review period. This performance represented a significant increase from the previous evaluation where the bank did not provide any CD service hours in the assessment area. The level of CD services by total hours and on an annualized basis significantly exceeded the performance of one similarly situated institution who had no CD services, and was slightly below the performance of one similarly situated institution that also had an adequate level of CD services. The majority of service hours supported economic development. The following table details HB's CD service hours by year and CD type.

<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># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
2021 (May – Dec)	0	0	31	0	<b>31</b>
2022	0	19	65	0	<b>84</b>
YTD 2023	0	40	6	0	<b>46</b>
<b>Total</b>	<b>0</b>	<b>59</b>	<b>102</b>	<b>0</b>	<b>161</b>
<i>Source: Bank Records</i>					

The following are notable examples of the CD service activities provided in the assessment area during the evaluation period.

- In 2021, a bank employee served as the Loan Committee Director for an organization that serves small businesses in the assessment area by providing financing through the SBA.
- In 2023, two bank employees taught four financial education classes at a HUD Approved housing counseling agency focused on empowering consumers through financial and homebuyer education.

## **STATE OF ILLINOIS**

**CRA RATING FOR ILLINOIS: Satisfactory**

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

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

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

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

The Chicago assessment area is located in Northeastern Illinois and includes the contiguous counties of Cook and DuPage. These counties are two of five counties in the Chicago-Naperville- Evanston MD. There were no changes to the assessment area since the previous evaluation.

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

According to the 2020 US Census Data, the Chicago assessment area contains 226 low-, 365 moderate-, 459 middle-, 485 upper-income CTs, and 16 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Chicago						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,551	14.6	23.5	29.6	31.3	1.0
Population by Geography	6,208,418	11.4	23.8	32.1	32.3	0.4
Housing Units by Geography	2,559,710	11.5	22.6	31.5	33.8	0.5
Owner-Occupied Units by Geography	1,391,239	6.0	19.5	35.4	38.8	0.2
Occupied Rental Units by Geography	944,549	17.1	26.6	27.7	27.7	0.9
Vacant Units by Geography	223,922	22.2	25.4	23.4	28.1	0.8
Businesses by Geography	749,946	7.1	17.9	30.0	44.4	0.6
Farms by Geography	7,258	6.8	19.7	32.5	40.7	0.3
Family Distribution by Income Level	1,424,186	25.0	16.5	18.3	40.3	0.0
Household Distribution by Income Level	2,335,788	27.0	15.4	16.4	41.2	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$92,622	Median Housing Value			\$293,663
			Median Gross Rent			\$1,245
			Families Below Poverty Level			9.1%
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners also reviewed changes between the 2015 ACS compared to the 2020 U.S. Census data to determine if there were any data changes impacting performance context. There were no branch location changes that impacted the performance context; however, median family income increased from the \$75,024, median housing value increased from \$252,409, and the percentage of families below poverty level declined from 11.9 percent.

The assessment area's 749,946 businesses reported GARs as follows:

- 89.8 percent had \$1 million or less,
- 3.9 percent had more than \$1 million, and
- 6.3 percent did not report revenue information.

Services represent the largest industry at 32.5 percent of businesses followed by non-classifiable establishments at 30.6 percent; finance, insurance, and real estate at 10.3 percent; and retail trade at 9.0 percent.

Examiners obtained the following economic information from Moody's Analytics as of February 2023. The assessment area's economy is outperforming the rest of Illinois and the Midwest, but it does not measure up to other major metro areas. The labor force has been volatile month to month, but it has recently surpassed its pre-pandemic size. Improvements in the economy have been broad-based across all industries with healthcare, leisure/hospitality, and manufacturing being particularly strong. The area's strengths include major center for business, distribution, transportation, and finance; a strong roster of well-regarded educational institutions; and a growing high-tech center in River North neighborhood. The area's weaknesses include state and local budget pressures, weak population trends and a high crime rate. The top three employers are Amazon.com Incorporated, Advocate Health Care System, and Northwestern Memorial Healthcare.

## **Competition**

The Chicago assessment area is highly competitive for financial services. According to the June 30, 2022 FDIC Deposit Market Share Report, 109 banks operate 1,488 branches and share \$493.6 billion in deposits within the area. The top five institutions control 65.4 percent of the assessment area's deposit market share with a combined \$322.9 billion in deposits. The five largest financial institutions are JPMorgan Chase Bank, BMO Harris Bank, Bank of America, The Northern Trust Company, and CIBC Bank USA. According to the same data, HB operates 3 branches that maintain \$251.2 million in deposits, representing 0.1 percent of the assessment area's deposits and ranking the institution 69<sup>th</sup> in the assessment area based on deposit market share.

## **Community Contacts**

Examiners reviewed a recent community contact that operates as a CDFI. The organization helps communities grow by investing and mentoring entrepreneurs who build businesses and generates jobs. The contact stated that the assessment area has a large need for small business lending and start-up capitalization. The contact believes that the best and most effective option at providing small dollar loans is for financial institutions to fund loan pools. The contact also mentioned that many institutions do not have the time and resources to provide effective financial education to small business owners. Lastly, the contact stated they were concerned with predatory lending practices of online lenders, currency exchanges, and payday lenders.

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

Based on economic information, the community contact, and bank information, examiners identified small business lending as a credit need, specifically small dollar business loans. There are also opportunities for financial institutions to provide financial education to small businesses.

## **SCOPE OF EVALUATION – ILLINOIS**

The CRA state of Illinois rating is based on a full-scope review of the bank's performance in the Chicago assessment area. Refer to the institution-wide Scope of Evaluation section for more information including the types of activities evaluated and data sources.

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

### **LENDING TEST**

HB is rated "Low Satisfactory" in the Lending Test in the state of Illinois. Lending levels in the Chicago assessment area reflect poor responsiveness. The geographic distribution of loans reflects adequate penetration. The distribution of borrowers reflect good penetration. HB made a low level of CD loans in the assessment area.

### **Lending Activity**

HB's lending levels reflect poor responsiveness to the assessment area credit needs. During the evaluation period, HB originated 41 small business loans totaling \$13.6 million and 3 home mortgage

loan totaling \$1.6 million in the assessment area. At the previous evaluation, HB originated 203 small business loans totaling \$20.3 million over a three-year evaluation period. After accounting for the varying evaluation timeframes, HB’s level of small business lending decreased approximately 80 percent by number and 33.0 percent by dollar volume since the previous examination. The decrease in lending can be partially attributed to a decrease in PPP lending in 2021 compared to 2020.

In 2021, HB ranked 98<sup>th</sup> out of 319 lenders who reported 228,149 originated or purchased small business loans in the assessment area, giving HB a market share of less than 0.1 percent by both number and dollar volume. HB’s small business market declined since the previous evaluation where the institution was ranked 75<sup>th</sup> in 2018 and 84<sup>th</sup> in 2019.

### **Geographic Distribution**

Overall, the geographic distribution of loans in represents adequate penetration throughout the Chicago assessment area.

### **Small Business Loans**

The geographic distribution of small business loans represents adequate penetration. Refer to the table below for the distribution of loans by tract income level.

<b>Geographic Distribution of Small Business Loans</b>							
<b>Assessment Area: Chicago</b>							
<b>Tract Income Level</b>		<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low							
	2021	7.2	8.3	3	11.5	2,057	21.0
	2022	7.1	-	2	13.3	915	24.3
Moderate							
	2021	18.6	21.4	6	23.1	1,159	11.8
	2022	17.9	-	1	6.7	150	4.0
Middle							
	2021	26.2	28.6	6	23.1	1,966	20.1
	2022	30.0	-	5	33.3	1,058	28.1
Upper							
	2021	47.5	41.3	11	42.3	4,604	47.0
	2022	44.4	-	7	46.7	1,645	43.7
Not Available							
	2021	0.6	0.4	0	0.0	0	0.0
	2022	0.6	-	0	0.0	0	0.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>9,786</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>15</b>	<b>100.0</b>	<b>3,768</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>							

In 2021, HB’s lending in both low- and moderate-income CTs outperformed aggregate data and the D&B data. Specifically, small business loans were 3.2 percentage points and 1.7 percentage points greater than aggregate data in low- and moderate-income CTs, respectively. HB’s lending in low-

income CTs improved in 2022 by percentage of loans by 1.8 percentage points, but declined by number of loans. However, the institution’s lending in moderate-income CTs significantly declined in 2022 by both number and percentage of loans and was 11.2 percentage points below the D&B data. HB’s geographic distribution performance in the Chicago assessment area has declined since the previous evaluation’s good performance.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents very poor penetration. The bank made only three home mortgage loans, all of which were in upper-income CTs.

**Borrower Profile**

Overall, the distribution of borrowers reflects good penetration. The performance is good among businesses of different revenue sizes and very poor among individuals of different income levels in the Chicago assessment area.

Small Business Loans

The distribution of small business loans reflects good penetration among businesses of different revenue sizes. Refer to the table below for the distribution of loans by borrower revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Chicago</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	86.9	42.3	10	38.5	5,068	51.8
2022	89.8	-	14	93.3	2,768	73.5
<b>&gt;\$1,000,000</b>						
2021	5.0	-	6	23.1	3,637	37.2
2022	3.9	-	1	6.7	1,000	26.5
<b>Revenue Not Available</b>						
2021	8.1	-	10	38.5	1,081	11.0
2022	6.3	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>9,786</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>15</b>	<b>100.0</b>	<b>3,768</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, the institution’s lending to businesses with GARs of \$1 million or less trailed aggregate data and was substantially below the D&B data. In 2021, about half of HB’s small business loans were originated under the SBA PPP. The SBA did not require, and the bank did not collect revenue information for PPP borrowers. The bank’s 2022 performance improved significantly when compared to 2021 and exceeded the D&B data by 3.2 percentage points. Overall, the performance is good.

## Home Mortgage Loans

The distribution of home mortgage loans reflects very poor penetration among individuals of different income levels. While the bank made three loans, none were originated to low- or moderate-income borrowers, demonstrating very poor performance.

## Community Development Loans

HB made a low level of CD loans in this assessment area. During the evaluation, HB originated 4 CD loans for \$5.6 million. Of the 4 CD loans, 1 loan for \$2.3 million supported affordable housing, 1 loan for \$360,000 supported community services, and 2 loans for \$3.0 million supported economic development. When controlling for length of evaluation period, this level of activity represented a slight increase from the previous evaluation where HB originated 3 CD loans for \$7.3 million. Nevertheless, HB's volume of CD loans was significantly below three similarly situated institutions that operated within the assessment area. Overall, the performance was not responsive to the assessment area CD needs. Below is a notable example of a CD loan that benefitted the assessment area.

- In 2022, the bank originated a \$360,000 loan to finance the purchase of an office building for the benefit of a non-profit federally qualified health center where 55 percent of the patients served qualify for Medicaid.

## **INVESTMENT TEST**

HB is rated "High Satisfactory" in the Investment Test for the state of Illinois. The institution has an excellent level of qualified CD investments and grants in the Chicago assessment area. The bank exhibits good responsiveness to credit and CD needs. HB rarely uses innovative and complex investments to support CD initiatives.

## Investment and Grant Activity

The institution has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. In 2021, HB purchased two mortgage-backed securities totaling \$7.9 million solely benefiting the Chicago assessment area. HB also purchased one mortgage-backed security in 2022 for \$7.1 million benefiting the assessment area. Additionally, HB made three new nationwide mortgage-backed security investments, of which \$7.8 million directly benefited the Chicago assessment area. HB also maintained one prior period nationwide mortgage-backed security that directly benefitted the assessment area. In addition to the qualified investment activity, HB granted one donation totaling \$1,000 that supported community services in the assessment area. The following is a description of HB's donation activity within the assessment area.

- The bank donated \$1,000 to a grassroots 501(c)(3) resource center dedicated to improving the health, educational, and human welfare of youth, adults, seniors, and families in Chicago.

HB's overall dollar volume of qualified investment and grant activity, including nationwide investments directly benefiting the Chicago assessment area was \$22.8 million. The institution's investment activity increased by 119.4 percent since the previous evaluation where the institution made \$10.4 million in

qualified investments and donations, representing an adequate level. When controlling for evaluation period, HB’s performance was \$7.6 million greater than the prior evaluation. The institution’s volume of CD investments and donations was significantly above the performance of one similarly situated institution.

**Responsiveness to Credit and Community Development Needs**

HB exhibits good responsiveness to credit and CD needs. All of the institution’s investments supported affordable housing, which was an identified assessment area need

**Community Development Initiatives**

The institution rarely uses innovative and/or complex investments to support CD initiatives. All of the bank’s qualified CD investments in the assessment area consist of mortgage-backed securities including nationwide mortgage-backed securities, which are not considered innovative or complex.

**SERVICE TEST**

The Service Test performance in the state of Illinois is rated “Low Satisfactory.” HB’s relatively high level of CD services supports this conclusion.

**Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the Chicago assessment area. The branch distribution and alternative delivery systems are consistent with the institution overall. HB operates three full-service branches in the Chicago assessment area. Two of the three branches in the assessment area are located in low- and moderate-income CTs, which compares favorably to the 5.5 and 17.6 percent of other institution’s operating branches in low- and moderate-income CTs, respectively. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment area by income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	226	14.6	708,079	11.4	1	33.3	2	50.0
Moderate	365	23.5	1,474,737	23.8	1	33.3	1	25.0
Middle	459	29.6	1,995,332	32.1	1	33.3	1	25.0
Upper	485	31.3	2,003,110	32.3	0	0.0	0	0.0
NA	16	1.0	27,160	0.4	0	0.0	0	0.0
<b>Totals</b>	<b>1,551</b>	<b>100.0</b>	<b>6,208,418</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: 2020 U.S. Census & Bank Data  
Due to rounding, totals may not equal 100.0%*

**Changes in Branch Locations**

HB did not open or close any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the rated area’s Service Test conclusions.

**Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. All three of HB’s full-service branches are open weekdays from 9:00 a.m. to 5:00 p.m. The bank offers drive-up window service at all three branches. HB services, including alternative delivery services, are available at each full-service branch and are consistent with the discussion at the institution level.

**Community Development Services**

HB provided an adequate level of CD services in the Chicago assessment area. During the evaluation period, 11 employees contributed 235 CD service hours to 5 organizations. In total, bank employees provided 23 instances of CD service activities during the review period. This performance represented a significant increase from the prior evaluation’s 86 CD service hours. On an annualized basis, the institution’s hours increased by 85 hours, or by 304.4 percent. The level of CD services exceeded the performance of two similarly situated institutions. All of the CD services consisted of community service activities targeted to low- and moderate-income individuals and families. The following table details HB’s CD service hours by year and CD type.

<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># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
5/3/2021 – 12/31/2021	0	59	0	0	<b>59</b>
2022	0	153	0	0	<b>153</b>
1/1/2023- 5/31/2023	0	23	0	0	<b>23</b>
<b>Total</b>	<b>0</b>	<b>235</b>	<b>0</b>	<b>0</b>	<b>235</b>
<i>Source: Bank Records</i>					

The following is a description of the CD service activities provided in the assessment area during the evaluation period.

- In 2021 and 2022, a bank employee served on the Board of an organization that provides low- and moderate-income families with support to meet immediate needs and educational services to achieve long-term self-sufficiency.
- In 2021 and 2022, a bank employee served on the Board and on the fundraising committee of an organization that serves low- and moderate-income youth and families in the community by providing counseling for at-risk youth and housing to youth experiencing homelessness.
- In 2022, seven bank employees taught the FDIC’s Money Smart curriculum to low- and moderate-income adults at two organizations that provide various community resources to low- and moderate-income families in the community.

## NEW YORK-NEWARK-JERSEY CITY MMSA

### CRA RATING FOR NEW YORK: NEEDS TO IMPROVE

The Lending Test is rated: Needs to Improve

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NEW YORK- NEWARK-JERSEY CITY MMSA

The New York-Middlesex assessment area is located in southeastern New York and northeastern New Jersey. The assessment area consists of New York and Middlesex Counties, which are 2 of 23 counties in the New York-Newark-Jersey City, New York-New Jersey-Pennsylvania MMSA. The New York-Middlesex assessment area is not new and has not changed since the previous evaluation.

#### Economic and Demographic Data

According to the 2020 US Census Data, the New York-Middlesex assessment area contains 51 low-, 81 moderate-, 120 middle-, 225 upper-income CTs, and 25 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: New York-Middlesex						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	502	10.2	16.1	23.9	44.8	5.0
Population by Geography	2,557,413	11.9	17.4	21.9	47.1	1.7
Housing Units by Geography	1,187,478	10.4	15.5	19.0	53.2	1.9
Owner-Occupied Units by Geography	365,886	2.5	11.2	27.9	57.7	0.8
Occupied Rental Units by Geography	680,805	15.5	19.2	15.9	46.9	2.5
Vacant Units by Geography	140,787	6.4	8.6	10.8	71.9	2.3
Businesses by Geography	505,848	5.3	9.1	13.3	64.5	7.8
Farms by Geography	2,785	6.5	11.0	24.4	54.5	3.7
Family Distribution by Income Level	534,346	23.6	13.6	15.2	47.6	0.0
Household Distribution by Income Level	1,046,691	26.0	11.8	13.8	48.4	0.0
Median Family Income MSA - 35154 New Brunswick-Lakewood, NJ		\$113,495	Median Housing Value			\$759,125
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ		\$85,483	Median Gross Rent			\$1,834
			Families Below Poverty Level			9.8%
<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>						

Examiners also reviewed changes between the 2015 ACS compared to the 2020 U.S. Census data to determine if there were any changes in data impacting performance context. There were no meaningful

changes that impacted performance context.

The assessment area's 505,848 businesses reported gross annual revenues as follows:

- 88.4 percent had \$1 million or less,
- 5.2 percent had more than \$1 million, and
- 6.4 percent did not report revenue information.

Services represent the largest industry at 36.3 percent of businesses followed by non-classifiable establishments at 28.8 percent; finance, insurance, and real-estate at 12.0 percent; and retail trade at 10.3 percent.

Examiners obtained the following economic information from Moody's Analytics as of February 2021. Assessment area jobs are not only being added, but growth exceeds the national pace. Job gains are powered by hotels, restaurants and hospitals, while office jobs grew at a slower pace. Consumer industries are benefiting from a gradual pickup in daytime population, with office occupancy in Manhattan increasing to approximately 50 percent. Home prices have pulled back similar to other areas in the nation. The assessment area's strengths include being the financial capital of the world, high per capita income, limited exposure to manufacturing, and a strong international immigration. The area's weaknesses include high costs, rapidly aging infrastructure, and a troubled fiscal health made worse by population losses. The top three employers are Montefiore Health System, Mount Sinai Health System, and JPMorgan Chase & Company.

### **Competition**

The New York-Middlesex assessment area is highly competitive for financial services. According to the June 30, 2022 FDIC Deposit Market Share Report, 108 banks operate 796 branches and share \$1.8 trillion in deposits within the assessment area. The top 3 institutions control 63.4 percent of the assessment area's deposit market share with a combined \$1.1 trillion in deposits. The three largest financial institutions include JPMorgan Chase Bank, Goldman Sachs Bank USA, and The Bank of New York Mellon. According to the same data, HB operates 2 branches that maintain \$158.5 million in deposits, representing less than 0.1 percent of the assessment area's deposits and ranking the institution 78<sup>th</sup> based on deposit market share.

### **Community Contact**

Examiners reviewed an existing community contact that works with economic development partners and financial institutions to attract, recruit, engage, and retain small and large businesses in the county. The contact stated that small businesses face limitations in accessing capital. These limitations are increased for minority entrepreneurs due to institutions typically favoring more established businesses. The contact does not think there are enough accessible small business banking products available and that business owners have trouble with collateral requirements. It was noted that banks as well as state and local governments have not done enough to meet small business credit needs. Lastly, the contact stated that there are opportunities for institutions to provide technical assistance to small businesses.

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

Based on economic information, the community contact, and bank information, examiners identified credit and CD needs for small business lending including micro-loans and business start-up loans. There

is also a need for technical assistance to small businesses. Lastly, given the high cost of living, affordable housing is also a need in the assessment area.

## **SCOPE OF EVALUATION – NEW YORK-NEWARK-JERSEY CITY MMSA**

The New York-Newark-Jersey City MMSA rating is based on a full-scope evaluation of the bank’s performance in the New York-Middlesex assessment area. Refer to the institution-wide Scope of Evaluation section for more information including the types of activities evaluated and data sources.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NEW YORK-NEWARK-JERSEY CITY MMSA**

### **LENDING TEST**

HB is rated “Needs to Improve” in the Lending Test in the New York-Newark-Jersey City MMSA. Lending levels reflect poor responsiveness to the New York-Middlesex assessment area credit needs. The geographic distribution of loans reflects poor penetration. The distribution of borrowers reflects adequate penetration. HB made a low level of CD loans in the assessment area. The institution’s lack of CD lending in the assessment area negatively affected the Lending Test rating.

### **Lending Activity**

HB’s lending levels reflect poor responsiveness to assessment area credit needs. During the evaluation period, HB originated 23 small business loans totaling \$3.0 million and 1 home mortgage loan totaling \$413,000 million in the assessment area. The previous evaluation reported 42 small business totaling \$4.7 million over a three-year evaluation period. After accounting for the varying evaluation timeframes, HB’s level of lending decreased since the last examination. The decrease in lending can be partially attributed to a decrease in PPP lending in 2021 compared to 2020.

In 2021, HB ranked 123rd out of 332 lenders who reported 142,331 originated or purchased small business loans in the assessment area, giving HB a market of less than 0.1 percent by number and less than 0.1 percent by dollar. HB’s small business market share remained in between the level of the previous evaluation where the institution was ranked 133rd in 2018 and 91st in 2019.

### **Geographic Distribution**

Overall, the geographic distribution of loans represents poor penetration throughout the New York-Middlesex assessment area.

### **Small Business Loans**

The geographic distribution of small business loans represents poor penetration. Refer to the table below for the distribution of loans by tract income level.

Geographic Distribution of Small Business Loans							
Assessment Area: New York-Middlesex							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2021	4.7	4.3	0	0.0	0	0.0
	2022	5.3	-	0	0.0	0	0.0
Moderate							
	2021	9.3	9.0	0	0.0	0	0.0
	2022	9.1	-	2	22.2	426	26.2
Middle							
	2021	13.5	14.8	4	28.6	245	18.4
	2022	13.3	-	3	33.3	888	54.7
Upper							
	2021	67.8	68.1	10	71.4	1,086	81.6
	2022	64.5	-	4	44.4	310	19.1
Not Available							
	2021	4.6	3.9	0	0.0	0	0.0
	2022	7.8	-	0	0.0	0	0.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,331</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>9</b>	<b>100.0</b>	<b>1,624</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>							

In 2021, HB did not make any loans in low- and moderate-income CTs. The bank's performance improved slightly in 2022. No loans were originated in low-income CTs with two loans originated in moderate-income CTs, exceeding the D&B data. It is noted that while HB's lending in moderate-income CTs exceeded D&B data, the low loan volume makes it difficult to derive meaningful conclusions.

### Home Mortgage Loans

The geographic distribution of home mortgage loans represents very poor penetration. The bank made only one loan with none made in low- or moderate-income CTs.

### Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and individuals of different income levels in the New York-Middlesex assessment area.

### Small Business Loans

The distribution of small business loans reflects adequate penetration among businesses of different revenue sizes. Refer to the table below for the distribution of loans by borrower revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: New York-Middlesex</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	87.7	35.1	1	7.1	225	16.9
2022	88.4	-	7	77.8	1,224	75.4
<b>&gt;\$1,000,000</b>						
2021	5.7	-	0	0.0	0	0.0
2022	5.2	-	2	22.2	400	24.6
<b>Revenue Not Available</b>						
2021	6.6	-	13	92.9	1,106	83.1
2022	6.4	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,331</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>9</b>	<b>100.0</b>	<b>1,624</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, HB’s lending to businesses with GARs of \$1 million or less trailed aggregate lending data and was substantially below the D&B data. In 2021, about half of HB’s small business loans were originated under the SBA PPP. The SBA did not require, and the bank did not collect revenue information for PPP borrowers.

In 2022, the bank’s performance improved significantly when compared to 2021; however, the performance remained below the D&B. Examiners compared the bank’s 2022 performance to the previous evaluations performance from 2018 and 2019, which were also years without PPP loans. HB’s performance compares favorably to the good performance at the previous evaluation. Considering this information along with the improving trend, the performance is considered adequate.

Home Mortgage Loans

The distribution of home mortgage loans reflects very poor penetration among individuals of different income levels. The bank made only one loan in the assessment area and that loan was not made to a low- or moderate-income borrower, demonstrating very poor performance.

Community Development Loans

The institution made a low level of CD loans. During the evaluation period, HB originated 1 CD loan totaling \$7.5 million. When controlling for the length of evaluation period, this level of activity is similar to the previous evaluation where the bank made 1 loan totaling \$13.0 million. HB’s level of CD lending was significantly below a similarly situated institution. The institution’s lack of CD lending demonstrated poor responsiveness to the CD needs and opportunities within the assessment area.

**INVESTMENT TEST**

HB is rated “High Satisfactory” in the Investment Test for the New York-Newark-Jersey City MMSA. The institution has a significant level of qualified CD investments and donations in the New York-

Middlesex assessment area. The bank exhibits good responsiveness to credit and CD needs. HB occasionally uses innovative and complex investments to support CD initiatives.

### **Investment and Grant Activity**

The institution has a significant level of qualified CD investments and grants, rarely in a leadership position, particularly those that are not routinely provided by private investors. In 2021, HB invested \$2.0 million in a community development fund and purchased one mortgage-back security totaling \$1.5 million that directly benefited the assessment area. Additionally, HB made two new nationwide mortgage-back security investments, of which \$2.4 million directly benefited the assessment area. HB also maintained one prior period mortgage-back security with a book value of \$1.3 million that directly benefitted the assessment area.

In addition to the qualified investment activity, HB made four donations totaling \$13,000 that supported community services in the assessment area. The following is a description of the notable donations solely benefitting the assessment area.

- The bank donated \$5,000 to a non-profit organization dedicated to improving the lives of young people through programs that develop financial literacy and readiness for college and career success.
- The bank donated \$5,000 to an organization that offers free basic tax return preparation for low- and moderate-income families and provides support and stability to families living in poverty.
- The bank donated \$3,000 to an organization that assists immigrants and refugees integrate into society by providing them with programs, services, and activities to achieve economic self-sufficiency.

HB's overall dollar volume of assessment area qualified investment and grant activity totaled \$8.3 million. The institution's level of investment activity increased by nearly three times the performance at the previous evaluation where the institution made \$2.8 million in qualified investments and donations, representing an adequate level. On an annualized basis, HB's performance is \$3.1 million greater than the previous evaluation. The institution's volume of CD investments and donations was similar to one similarly situated institution who also had a significant level of investments.

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

The institution exhibits good responsiveness to credit and CD needs. HB's investments supported affordable housing and economic development in the assessment area, both of which were identified CD needs.

### **Community Development Initiatives**

The institution rarely uses innovative and/or complex investments to support CD initiatives. The bank's qualified CD investments consist of an investment in a community development fund, which is somewhat innovative. The remaining investments are mortgage-back securities, which are not innovative or complex.

## SERVICE TEST

The Service Test performance in the New York-Newark-Jersey City MMSA is rated “High Satisfactory.” Delivery systems are accessible to limited portions of the New York-Middlesex assessment area. HB did not open or close any branches in this assessment area during the evaluation period. Services, including business hours, do not vary in a way that inconveniences portions of the assessment area. HB provided a relatively high level of CD services.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment area. Alternative delivery systems in the New York-Middlesex assessment area are consistent with the institution overall; however, the branch distribution is inconsistent. HB operates two full-service branches in the assessment area: one in a middle-income CT and one in an upper-income CT. While the bank does not operate any branches in low- or moderate-income CTs, the CTs around the branches include low- and moderate-income neighborhoods. Other institutions in this assessment area operate 6.2 percent and 11.0 percent of their branches in low- and moderate-income CTs, respectively. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment area by income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	51	10.2	303,178	11.9	0	0.0	0	0.0
Moderate	81	16.1	445,220	17.4	0	0.0	0	0.0
Middle	120	23.9	560,555	21.9	1	50.0	1	50.0
Upper	225	44.8	1,203,760	47.1	1	50.0	1	50.0
NA	25	5.0	44,700	1.7	0	0.0	0	0.0
<b>Totals</b>	<b>502</b>	<b>100.0</b>	<b>2,557,413</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>								

### Changes in Branch Locations

HB did not open or close any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the rated area’s Service Test conclusions.

### Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment area, particularly in low- and moderate-income geographies and individuals. Both branches are open weekdays from 9:00 a.m. to 5:00 p.m. and closed during the weekend, which reflects the core business hours for the HB’s commercial customers in the area. The Middlesex County branch also operates a drive-up window that is open weekdays from 9:00 a.m. to 5:00 p.m. Products and services offered in the assessment area are consistent with the institution overall.

**Community Development Services**

HB provided a relatively high level of CD services in the New York-Middlesex assessment area. During the evaluation period, 10 employees contributed 277 CD service hours to 8 organizations. In total, bank employees provided 72 instances of CD service activity during the review period. This performance represents a significant increase from the previous evaluation’s 30 CD service hours. When controlling for review period, the institution’s hours significantly increased annually from 10 hours to 133 hours. The level of CD services by total hours exceeded the performance of one similarly situated institution and was slightly below the performance of another similarly situated institution who was a leader. The majority of the services provided consisted of community service activities targeted to low- and moderate-income individuals and families. The following table details HB’s CD service hours by year and CD type.

<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># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
5/3/2021 – 12/31/2021	0	9	0	0	<b>9</b>
2022	0	108	0	0	<b>108</b>
1/1/2023- 5/31/2023	0	156	4	0	<b>160</b>
<b>Total</b>	<b>0</b>	<b>273</b>	<b>4</b>	<b>0</b>	<b>277</b>
<i>Source: Bank Records</i>					

The following are notable examples of CD service activities provided in the assessment area during the evaluation period.

- In 2022 and 2023, HB employees provided 126 hours of tax services at an organization that provides free basic tax return preparation for low- and moderate-income taxpayers.
- In 2022 and 2023, HB employees taught financial education at an organization that provides social services to low-income immigrant, refugee, and senior citizens.

**STATE OF VIRGINIA**

**CRA RATING FOR VIRGINIA: 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 VIRGINIA**

The Fairfax assessment area is located in Northern Virginia and includes the counties of Fairfax and Fairfax City. These counties are 2 of 18 counties in the Washington-Arlington-Alexandria, District of

Columbia-Virginia-Maryland-West Virginia MMSA. There were no changes to the assessment area since the previous evaluation.

Economic and Demographic Data

According to the 2020 US Census Data, the Fairfax assessment area contains 9 low-, 35 moderate-, 102 middle-, 129 upper-income CTs, and 4 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Fairfax						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	279	3.2	12.5	36.6	46.2	1.4
Population by Geography	1,174,455	3.7	13.6	37.4	45.3	0.1
Housing Units by Geography	424,168	3.4	14.1	38.9	43.6	0.0
Owner-Occupied Units by Geography	279,543	1.6	9.8	34.6	53.9	0.0
Occupied Rental Units by Geography	127,861	7.3	22.8	48.2	21.7	0.0
Vacant Units by Geography	16,764	3.7	20.7	37.6	37.9	0.1
Businesses by Geography	189,780	2.2	10.7	37.3	49.7	0.0
Farms by Geography	2,179	1.6	12.2	35.9	50.3	0.0
Family Distribution by Income Level	287,420	17.1	14.3	19.2	49.4	0.0
Household Distribution by Income Level	407,404	17.8	13.8	18.2	50.2	0.0
Median Family Income MSA - 47894 Washington-Arlington-Alexandria, DC-VA-MD-WV		\$126,224	Median Housing Value			\$563,387
			Median Gross Rent			\$1,946
			Families Below Poverty Level			4.1%
<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>						

Examiners also reviewed changes between the 2015 ACS compared to the 2020 U.S. Census data to determine if there were any data changes that impacted performance context. There were no meaningful changes impacting performance context.

The assessment area’s 189,780 businesses reported gross annual revenues as follows:

- 90.9 percent had \$1 million or less,
- 3.3 percent had more than \$1 million, and
- 5.8 percent did not report revenue information.

Services represent the largest industry at 42.8 percent of businesses followed by non-classifiable establishments at 27.1 percent; finance, insurance, and real estate at 9.6 percent; and retail trade at 6.8 percent.

Examiners obtained the following economic data from Moody’s Analytics as of February 2021. The assessment area is approaching a full recovery. Although year-over-year job growth has continued to lag the regional and U.S. averages, nonfarm employment is within an arm’s length of its prerecession level. State and local government payrolls have been a reliable source of job creation, while goods producers and

professional and business services are leaders in the private sector. The labor force still has a long way to go in order to reach its pre-recession level. However, the jobless rate remains low, with the labor market successfully absorbing any new or returning workers. The area's strengths include a talented workforce that allows the assessment area to attract investment that diversifies the economy and lifts longer-term growth, and a low housing supply and strong demand that drives house prices up even more than expected. The area's weaknesses include leisure/hospitality reverses recent gains, dragging down the recovery and telecommuting trends that are impacting the assessment area's expensive apartment market. The top three employers are Naval Support Activity Washington, Joint Base Andrews-Naval Air Facility, and MedStar Health.

### **Community Contact**

Examiners reviewed an existing contact with a regional organization that provides professional and technical services and serves as a mechanism for regional coordination. The contact stated that the unemployment rate for the Northern Virginia area is around 2.5 percent, which is below the national rate. There are around 100,000 to 150,000 vacant jobs in the area. A major area of employment focuses around cyber intelligence and computer science. Companies like Boeing and Amazon are moving their headquarters to Northern Virginia, further strengthening the economic conditions through an influx of new job opportunities.

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

Based on economic information, community contacts, and bank information, examiners identified small business lending and affordable housing as assessment area needs.

## **SCOPE OF EVALUATION – VIRGINIA**

The rating for the State of Virginia is based on a full-scope evaluation of the bank's performance in the Fairfax assessment area. Refer to the institution-wide Scope of Evaluation section for more information including the types of activities evaluated and data sources.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA**

### **LENDING TEST**

The Lending Test is rated "Low Satisfactory." Lending levels in the Fairfax assessment area reflect poor responsiveness. The geographic distribution of loans reflects good penetration. The distribution of borrowers reflects good penetration. HB did not originate any CD loans in the assessment area. The institution's lack of CD lending in the assessment area negatively affected the Lending Test rating.

### **Lending Activity**

HB's lending levels reflect poor responsiveness to assessment area credit needs. During the evaluation period, HB originated 28 small business loans totaling \$4.1 million and 2 home mortgage loans totaling \$748,917.00 within the assessment area. Of the 28 small business loans, 20 were originated in 2021 and 8 in 2022. At the previous evaluation, HB originated 64 small business loans totaling \$6.3 million over a three-year evaluation period. After accounting for the varying evaluation timeframes, HB's level of

lending decreased approximately 33.0 percent by number of loans since the previous evaluation. The lending decrease can be partly attributed to the decrease in PPP lending in 2021 compared to 2020.

In 2021, HB ranked 61<sup>st</sup> out of 197 lenders who reported 41,339 originated or purchased small business loans in the assessment area, giving HB a market of 0.1 percent by number and 0.1 percent by dollar volume. HB’s small business market share remained at a similar level to the previous evaluation where the institution was ranked 63<sup>rd</sup> in 2018 and 56<sup>th</sup> in 2019.

**Geographic Distribution**

Overall, the geographic distribution of loans represents adequate penetration throughout the Fairfax assessment area.

**Small Business Loans**

The geographic distribution of small business loans represents adequate penetration. Refer to the table below for the distribution of loans by tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Fairfax</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	1.4	1.7	4	20.0	101	5.4
2022	2.2	-	0	0.0	0	0.0
<b>Moderate</b>						
2021	7.0	6.8	2	10.0	36	1.9
2022	10.7	-	2	25.0	609	27.4
<b>Middle</b>						
2021	41.9	43.7	10	50.0	1,305	69.5
2022	37.3	-	4	50.0	883	39.8
<b>Upper</b>						
2021	49.7	47.8	4	20.0	436	23.2
2022	49.7	-	2	25.0	728	32.8
<b>Not Available</b>						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>1,878</b>	<b>100.0</b>
<b>2022</b>		<b>-</b>	<b>8</b>	<b>100.0</b>	<b>2,220</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, HB’s lending in both low-income CTs outperformed both aggregate and D&B data. The bank’s performance in moderate-income CTs also outperformed both aggregate and D&B data. In 2022, the bank did not originate any loans in low-income CTs. While lending in moderate-income CTs compared favorably to D&B data, the very low lending volume distorts actual performance.

## Home Mortgage Loans

The geographic distribution of home mortgage loans represents very poor penetration. The bank originated or purchased two loans in the assessment area with none made in low- or moderate-income geographies.

## Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and individuals of different income levels in the Fairfax assessment area.

## Small Business Loans

The distribution of small business loans reflects adequate penetration among businesses of different revenue sizes. Refer to the table below for the distribution of loans by borrower revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Fairfax</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	89.7	49.4	1	5.0	199	10.6
2022	90.9	-	6	75.0	808	36.4
<b>&gt;\$1,000,000</b>						
2021	4.0	-	6	30.0	1,098	58.5
2022	3.3	-	2	25.0	1,412	63.6
<b>Revenue Not Available</b>						
2021	6.3	-	13	65.0	581	30.9
2022	5.8	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>1,878</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>8</b>	<b>100.0</b>	<b>2,220</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2021, the institution's lending to businesses with GARs of \$1 million or less trailed the aggregate and was substantially below the D&B data. In 2021, the majority of HB's small business loans were originated under the SBA PPP. The SBA did not require and the bank did not collect revenue information for PPP borrowers.

In 2022, the bank's performance improved significantly; however, the performance was approximately 16.0 percentage points below D&B data. Examiners compared the bank's 2022 performance to the previous examination performance from 2018 and 2019, which were years without PPP loans. HB's 2022 performance compared favorably those years; however, the 2022 volume of small business loans is approximately 33.0 percent below 2019. The low volume of loans makes it difficult to arrive at a meaningful conclusion.

## Home Mortgage Loans

The distribution of home mortgage loans reflects very poor penetration among individuals of different income levels. While the bank made two home mortgage loans, they did not originate or purchase any to low- or moderate-income borrowers.

## Community Development Loans

The institution made no CD loans in the Fairfax assessment area during the evaluation period. HB's lack of CD lending within the assessment area demonstrates a very poor record of serving the assessment areas credit needs. Examiners noted that the institution was not responsive to the identified need for affordable housing. HB's lack of CD lending negatively affects the Lending Test rating. The institution's CD lending performance was similar to the previous evaluation where HB also made no CD loans.

## **INVESTMENT TEST**

HB is rated "Low Satisfactory" in the Investment Test for the state of Virginia. The bank has an adequate level of qualified CD investments and grants in the Fairfax assessment area. The investments exhibit a good responsiveness to credit and CD needs. HB rarely uses innovative and complex investments to support CD initiatives.

## Investment and Grant Activity

HB has an adequate level of CD investments and grants, although rarely in a leadership position, particularly those not routinely provided by private investors. All of HB's investments that impact the Fairfax assessment area consist of nationwide investments that directly benefited more than one assessment area and rated area. These nationwide investments include one new investment of which \$3.4 million directly benefited the Fairfax assessment area and one prior period investment with an outstanding book value of \$3.0 million that directly benefited the assessment area. Both of these investments were mortgage-back securities that support affordable housing for low- and moderate-income individuals. HB did not make any new or continue to hold any prior period investments that solely impact the assessment area. HB made one donation totaling \$300 to an organization supporting community services in the Fairfax assessment area.

The institution's level of investment activity decreased from the previous evaluation where HB's nationwide investments directly benefiting the Fairfax assessment area totaled \$11.5 million, which represented an adequate level. However, when controlling for evaluation period, the performance is similar. HB's level of investment activity surpassed one similarly situated institution that also made an adequate level of investments within the assessment area.

## Responsiveness to Credit and Community Development Needs

HB exhibits adequate responsiveness to credit and CD needs. All of the institution's investments support affordable housing, which was an identified assessment area need.

**Community Development Initiatives**

The institution does not use innovative and/or complex investments to support CD initiatives. All of the bank’s qualified CD investments that impact the assessment area consist of nationwide mortgage-backed securities that are not innovative or complex.

**SERVICE TEST**

HB’s Service Test rating is “Low Satisfactory” for the state of Virginia. Delivery systems are reasonably accessible to essentially all portions of the assessment area. Services do not vary in a way that inconveniences portions of the assessment area. The institution provided an adequate level of CD services.

**Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the assessment area. Alternative delivery systems in the Fairfax assessment area are consistent with the institution overall; however, the branch distribution is inconsistent. HB operates one full-service branch in an upper-income CT within this assessment area. Other institutions in this assessment area operate 3.8 percent and 14.4 percent of their branches in low- and moderate-income CTs, respectively. HB also operates one loan production office in the assessment area. The following table shows the distribution of CTs, population, branches, and ATMs in the assessment area by income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	9	3.2	43,654	3.7	0	0.0	0	0.0
Moderate	35	12.5	159,139	13.6	0	0.0	0	0.0
Middle	102	36.6	439,463	37.4	0	0.0	0	0.0
Upper	129	46.2	531,547	45.3	1	100.0	1	100.0
NA	4	1.4	652	0.1	0	0.0	0	0.0
<b>Totals</b>	<b>279</b>	<b>100.0</b>	<b>1,174,455</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>								

**Changes in Branch Locations**

HB did not open or close any branches in this assessment area during the evaluation period; therefore, this criterion did not affect the rated area’s Service Test conclusions.

**Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. HB’s sole assessment area branch is open weekdays from 9:00 a.m. to 5:00 p.m. The institution does not operate a drive-up window at this branch. Products and services offered in the assessment area are consistent with the institution overall.

**Community Development Services**

HB provided an adequate level of CD services in the Fairfax assessment area. During the evaluation period, 5 employees contributed 60 CD service hours to 5 organizations. In total, bank employees provided 18 instances of CD service activities during the review period. This performance represented a slight decrease from the prior evaluation’s 73 CD service hours; however, on an annualized basis, the institution’s hours increased by 5 hours or 21.6 percent. The level of CD services, by total hours and on an annualized basis, exceeded the performance of one similarly situated institution in the assessment area. All of the CD services provided consisted of community service activities targeted to low- and moderate-income individuals and families. The following table details HB’s CD service hours by year and CD type.

<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># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>	<b># hours</b>
5/3/2021 – 12/31/2021	0	0	0	0	<b>0</b>
2022	0	43	0	0	<b>43</b>
1/1/2023- 5/31/2023	0	17	0	0	<b>17</b>
<b>Total</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>60</b>
<i>Source: Bank Records</i>					

The following is a description of the CD service activities provided in the assessment areas during the evaluation period.

- In 2022, five bank employees taught the FDIC’s Money Smart curriculum to low- and moderate-income adults at an organization that aims to provide equal vocational training opportunities to the underprivileged and socially disadvantaged.
- In 2023, a bank employee provided free income tax preparation services to low- income individuals and families.

## APPENDICES

### LARGE BANK PERFORMANCE CRITERIA

#### **Lending Test**

1. 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:
2. 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;
3. The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - a. The proportion of the bank's lending in the bank's assessment area(s);
  - b. The dispersion of lending in the bank's assessment areas(s); and
  - c. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
4. 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:
  - a. Home mortgage loans low-, moderate-, middle- and upper-income individuals
  - b. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - c. Small business and small farm loans by loan amount at origination; and
  - d. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
5. The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
6. 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**

1. 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:
  - a. The dollar amount of qualified investments;
  - b. The innovativeness or complexity of qualified investments;
  - c. The responsiveness of qualified investments to available opportunities; and
  - d. The degree to which qualified investments are not routinely provided by private investors.

## **Service Test**

1. 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.
2. The bank's retail banking services are evaluated pursuant to the following criteria:
3. The current distribution of the bank's branches among low-, moderate-, middle-, and upper- income geographies;
4. 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;
5. 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
6. 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.
  
7. The bank's community development services are evaluated pursuant to the following criteria:
8. The extent to which the bank provides community development services; and
9. The innovativeness and responsiveness of community development services.

## SCOPE OF EVALUATION

<b>Hanmi Bank</b>	
<b>Scope of Examination:</b> Full-scope reviews were performed in the following assessment areas within the noted rated areas:	
<u>State of California:</u> Los Angeles Assessment Area	
<u>State of Texas:</u> Dallas Assessment Area Houston Assessment Area	
<u>State of Illinois:</u> Chicago Assessment Area	
<u>State of Virginia:</u> Fairfax Assessment Area	
<u>New York-Newark-Jersey City MMSA:</u> New York-Middlesex Assessment area	
<b>Time Period Reviewed:</b>	5/3/2021 to 6/5/2023
<b>Products Reviewed:</b> Small Business: 1/1/2021 – 12/31/2022 Home Mortgage: 1/1/2022 – 12/31/2022	

<b>List of Assessment Areas and Type of Evaluation</b>			
<b>Rated Area/ Assessment Area</b>	<b>Type of Evaluation</b>	<b>Branches Visited</b>	<b>Other Information</b>
<u>California:</u> Los Angeles San Diego San Francisco Santa Clara	Full-scope Limited-scope Limited scope Limited-scope	None None None None	None None None None
<u>Texas:</u> Dallas Houston	Full-scope Full-scope	None None	None None
<u>Illinois:</u> Chicago	Full-scope	None	None
<u>New York-Newark-Jersey City MMSA:</u> New York-Middlesex	Full-scope	None	None
<u>Virginia:</u> Fairfax	Full-scope	None	None

## SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
California	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Texas	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Illinois	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
New York-Newark-Jersey City MMSA	Needs to Improve	High Satisfactory	High Satisfactory	Needs to Improve
Virginia	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

## DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

### CALIFORNIA

#### San Diego

##### 2020 US Census Data

According to the 2020 US Census Data, the San Diego assessment area contains 46 low-, 167 moderate-, 262 middle-, 248 upper-income CTs, and 14 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: San Diego						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	737	6.2	22.7	35.5	33.6	1.9
Population by Geography	3,298,634	6.5	24.5	34.6	33.4	1.0
Housing Units by Geography	1,215,528	5.7	23.0	36.0	34.9	0.4
Owner-Occupied Units by Geography	609,350	2.4	15.8	37.2	44.4	0.2
Occupied Rental Units by Geography	521,353	9.8	31.5	34.7	23.3	0.7
Vacant Units by Geography	84,825	4.4	21.9	36.0	37.4	0.3
Businesses by Geography	400,327	3.8	17.7	34.0	43.7	0.8
Farms by Geography	7,360	3.2	17.9	38.8	39.9	0.2
Family Distribution by Income Level	759,418	22.8	17.3	18.7	41.2	0.0
Household Distribution by Income Level	1,130,703	24.4	16.0	17.6	42.0	0.0
Median Family Income MSA - 41740 San Diego-Chula Vista-Carlsbad, CA MSA		\$95,623	Median Housing Value			\$619,119
			Median Gross Rent			\$1,778
			Families Below Poverty Level			7.2%

*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 assessment area's 400,327 businesses reported GARs as follows:

- 91.2 percent had \$1 million or less,
- 3.1 percent had more than \$1 million, and

- 5.7 percent did not report revenue information.

Services represent the largest industry at 38.6 percent of businesses followed by non-classifiable establishments at 23.2 percent; finance, insurance, and real estate at 10.8 percent; and retail trade at 10.0 percent.

Examiners reviewed any changes between the 2015 ACS and the 2020 U.S. Census data to determine if there were any significant changes that would impact performance context. It was determined that there were no meaningful changes affecting performance context.

The June 30, 2022 Deposit Market Share Report shows that HB ranked 35<sup>th</sup> out of 45 FDIC-insured institutions competing within the assessment area, with a 0.1 percent of the deposit market share. According to the same data, the bank operated 1 out of 501 branches in the assessment area.

In 2021, HB ranked 66th out of 255 lenders and reported 66 small business loans in the assessment area, giving the bank a market share 0.1 percent by number and 0.4 percent by dollar.

## San Francisco

### 2020 US Census Data

According to the 2020 US Census Data, the San Francisco assessment area contains 24 low-, 50 moderate-, 61 middle-, 84 upper-income CTs, and 25 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: San Francisco						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	244	9.8	20.5	25.0	34.4	10.2
Population by Geography	873,965	8.3	23.3	26.9	35.0	6.5
Housing Units by Geography	398,613	8.4	19.3	25.9	38.9	7.5
Owner-Occupied Units by Geography	137,679	2.1	22.2	30.9	40.4	4.4
Occupied Rental Units by Geography	224,462	12.1	18.5	23.5	36.7	9.2
Vacant Units by Geography	36,472	9.9	13.7	21.5	46.4	8.6
Businesses by Geography	143,201	7.6	13.7	20.6	41.5	16.6
Farms by Geography	1,067	5.8	14.1	22.1	45.4	12.7
Family Distribution by Income Level	170,665	27.1	15.2	16.5	41.1	0.0
Household Distribution by Income Level	362,141	29.8	13.4	15.0	41.7	0.0
Median Family Income MSA - 41884 San Francisco-San Mateo-Redwood City, CA		\$143,526	Median Housing Value			\$1,161,717
			Median Gross Rent			\$2,023
			Families Below Poverty Level			5.5%

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 assessment area's 143,201 businesses reported GARs as follows:

- 89.8 percent had \$1 million or less,
- 4.0 percent had more than \$1 million, and
- 6.2 percent did not report revenue information.

Services represent the largest industry at 40.7 percent of businesses followed by non-classifiable establishments at 25.9 percent; finance, insurance, and real estate at 11.3 percent; and retail trade at 10.3 percent.

The June 30, 2022 Deposit Market Share Report shows that HB ranked 27th out of 42 FDIC-insured institutions competing within the assessment area, with a less than 0.1 percent deposit market share. According to the same data, the bank operated 1 out of 323 branches in the assessment area.

Examiners reviewed any changes between the 2015 ACS and the 2020 U.S. Census data to determine if there were any significant changes that would impact performance context. It was determined that there were no meaningful changes affecting performance context.

In 2021, HB ranked 60th out of 255 lenders and reported 23 small business loans in the assessment area, giving the bank a market share 0.1 percent by number and dollar volume.

## **Santa Clara**

### 2020 US Census Data

According to the 2020 US Census Data, the Santa Clara assessment area contains 29 low-, 89 moderate-, 165 middle-, 124 upper-income CTs, and 1 CTs with no income designation. The following table shows select demographic, housing, and business data for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Santa Clara						
Demographic Characteristics	#	Low	Moderate	Middle	Upper	NA*
Geographies (Census Tracts)	408	7.1	21.8	40.4	30.4	0.2
Population by Geography	1,936,259	6.4	21.5	41.6	30.4	0.1
Housing Units by Geography	668,896	5.4	18.9	43.5	32.0	0.2
Owner-Occupied Units by Geography	358,228	3.0	15.9	41.7	39.3	0.1
Occupied Rental Units by Geography	277,086	8.6	23.2	45.5	22.4	0.2
Vacant Units by Geography	33,582	3.9	16.7	45.3	33.8	0.2
Businesses by Geography	211,047	4.6	18.0	39.0	38.1	0.2
Farms by Geography	2,956	5.2	22.7	42.3	29.8	0.0
Family Distribution by Income Level	454,149	22.9	16.1	18.7	42.2	0.0
Household Distribution by Income	635,314	25.0	15.0	17.6	42.4	0.0
Median Family Income MSA - 41940		\$145,548	Median Housing Value			\$1,122,487
			Median Gross Rent			\$2,381
			Families Below Poverty Level			4.3%
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area's 211,047 businesses reported GARs as follows:

- 89.9 percent had \$1 million or less,
- 3.8 percent had more than \$1 million, and
- 6.3 percent did not report revenue information.

Services represent the largest industry at 41.4 percent of businesses followed by non-classifiable establishments at 22.6 percent; finance, insurance, and real estate at 10.5 percent; and retail trade at 9.3 percent.

Examiners reviewed any changes between the 2015 ACS and the 2020 U.S. Census data to determine if there were any significant changes that would impact performance context. It was determined that there were no meaningful changes affecting performance context.

In 2021, HB ranked 60th out of 255 lenders and reported 23 small business loans in the assessment area, giving the bank a market share 0.1 percent by number and dollar volume.

The June 30, 2022 Deposit Market Share Report shows that HB ranked 27th out of 42 FDIC-insured institutions competing within the assessment area, with less than 0.1 percent of the deposit market share. According to the same data, the bank operated 1 out of 323 branches in the assessment area.

In 2021, HB ranked 59th out of 183 lenders and reported 40 small business loans in the assessment area, with a market share of 0.1 percent by number and 0.3 percent by dollar volume.

## PERFORMANCE IN THE LIMITED-SCOPE ASSESSMENT AREAS

### San Diego

#### Geographic Distribution

#### Small Business

Geographic Distribution of Small Business Loans						
Assessment Area: San Diego						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	5.6	5.2	5	7.6	621	3.9
2022	3.8	-	2	13.3	1,378	19.9
Moderate						
2021	14.7	14.3	11	16.7	5,317	33.3
2022	17.7	-	1	6.7	444	6.4
Middle						
2021	34.7	34.6	30	45.5	6,861	43.0
2022	34.0	-	5	33.3	1,542	22.2
Upper						
2021	44.9	45.9	20	30.3	3,159	19.8
2022	43.7	-	7	46.7	3,570	51.5
Not Available						
2021	0.1	0.1	0	0.0	0	0.0
2022	0.8	-	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>15,958</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>-</b>	<b>15</b>	<b>100.0</b>	<b>6,934</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0%</i>						

## Home Mortgage

Geographic Distribution of Home Mortgage Loans						
Assessment Area: San Diego						
Tract Income Level		% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low						
	2022	2.4	0	0.0	0	0.0
Moderate						
	2022	15.8	2	16.7	604	4.7
Middle						
	2022	37.2	4	33.3	2,780	21.8
Upper						
	2022	44.4	6	50.0	9,366	73.5
Not Available						
	2022	0.2	0	0.0	0	0.0
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>12,751</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## Borrower Profile

### Small Business

Distribution of Small Business Loans by Gross Annual Revenue Category							
Assessment Area: San Diego							
Gross Revenue Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000							
	2021	90.1	46.4	9	13.6	4,586	28.7
	2022	91.2	--	6	40.0	1,874	27.0
>\$1,000,000							
	2021	3.7	--	23	34.8	7,705	48.3
	2022	3.1	--	9	60.0	5,060	73.0
Revenue Not Available							
	2021	6.3	--	34	51.5	3,667	23.0
	2022	5.7	--	0	0.0	0	0.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>15,958</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>15</b>	<b>100.0</b>	<b>6,934</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## Home Mortgage

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: San Diego						
Borrower Income Level	% of Families	#	%	\$(000s)	%	
Low						
2022	22.8	0	0.0	0	0.0	
Moderate						
2022	17.3	0	0.0	0	0.0	
Middle						
2022	18.7	2	16.7	799	6.3	
Upper						
2022	41.2	3	25.0	2,101	16.5	
Not Available						
2022	0.0	7	58.3	9,850	77.3	
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>12,750</b>	<b>100.0</b>	

*Source: 2020 U.S. Census; Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## San Francisco

### Geographic Distribution

#### Small Business

Geographic Distribution of Small Business Loans						
Assessment Area: San Francisco						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	22.6	20.1	5	21.7	435	22.0
2022	7.6	--	0	0.0	0	0.0
Moderate						
2021	13.0	16.9	5	21.7	389	19.7
2022	13.7	--	2	66.7	40	11.8
Middle						
2021	20.1	23.1	4	17.4	422	21.4
2022	20.6	--	0	0.0	0	0.0
Upper						
2021	41.3	37.7	6	26.1	227	11.5
2022	41.5	--	1	33.3	300	88.2
Not Available						
2021	2.9	2.2	3	13.0	501	25.4
2022	16.6	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>1,974</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>3</b>	<b>100.0</b>	<b>340</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## Home Mortgage

Geographic Distribution of Home Mortgage Loans						
Assessment Area: San Francisco						
Tract Income Level		% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low						
	2022	2.1	0	0.0	0	0.0
Moderate						
	2022	22.2	7	50.0	5,015	43.8
Middle						
	2022	30.9	5	35.7	4,554	39.7
Upper						
	2022	40.4	2	14.3	1,894	16.5
Not Available						
	2022	4.4	0	0.0	0	0.0
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>11,463</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## Borrower Profile

### Small Business

Distribution of Small Business Loans by Gross Annual Revenue Category							
Assessment Area: San Francisco							
Gross Revenue Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000							
	2021	88.1	45.4	2	8.7	100	5.1
	2022	89.8	--	3	100.0	340	100.0
>\$1,000,000							
	2021	4.8	--	1	4.3	134	6.8
	2022	4.0	--	0	0.0	0	0.0
Revenue Not Available							
	2021	7.1	--	20	87.0	1,740	88.1
	2022	6.2	--	0	0.0	0	0.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>1,974</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>3</b>	<b>100.0</b>	<b>340</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

Home Mortgage

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: San Francisco						
Borrower Income Level		% of Families	#	%	\$(000s)	%
Low						
	2022	27.1	0	0.0	0	0.0
Moderate						
	2022	15.2	0	0.0	0	0.0
Middle						
	2022	16.5	4	28.6	2,778	24.2
Upper						
	2022	41.1	4	28.6	3,228	28.2
Not Available						
	2022	0.0	6	42.9	5,457	47.6
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>11,463</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

**Santa Clara**

**Geographic Distribution**

Small Business

Geographic Distribution of Small Business Loans							
Assessment Area: Santa Clara							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2021	5.6	6.5	3	7.5	95	1.6
	2022	4.6	--	0	0.0	0	0.0
Moderate							
	2021	18.5	19.5	7	17.5	2,152	35.4
	2022	18.0	--	3	37.5	265	37.9
Middle							
	2021	35.6	37.4	22	55.0	2,819	46.3
	2022	39.0	--	4	50.0	415	59.3
Upper							
	2021	40.2	36.6	8	20.0	1,021	16.8
	2022	38.1	--	1	12.5	20	2.9
Not Available							
	2021	0.1	0.0	0	0.0	0	0.0
	2022	0.2	--	0	0.0	0	0.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>6,087</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>8</b>	<b>100.0</b>	<b>700</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## Home Mortgage

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Santa Clara						
Tract Income Level		% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low						
	2022	3.0	1	9.1	510	6.8
Moderate						
	2022	15.9	3	27.3	1,474	19.6
Middle						
	2022	41.7	6	54.5	4,522	60.2
Upper						
	2022	39.3	1	9.1	1,000	13.3
Not Available						
	2022	0.1	0	0.0	0	0.0
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>7,506</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## Borrower Profile

### Small Business

Distribution of Small Business Loans by Gross Annual Revenue Category							
Assessment Area: Santa Clara							
Gross Revenue Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000							
	2021	88.8	48.6	6	15.0	394	6.5
	2022	89.9	--	6	75.0	250	35.7
>\$1,000,000							
	2021	4.4	--	3	7.5	1,353	22.2
	2022	89.9	--	2	25.0	450	64.3
Revenue Not Available							
	2021	6.8	--	31	77.5	4,340	71.3
	2022	6.3	--	0	0.0	0	0.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>6,087</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>8</b>	<b>100.0</b>	<b>700</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

Home Mortgage

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Assessment Area: Santa Clara</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	22.9	0	0.0	0	0.0
Moderate					
2022	16.1	0	0.0	0	0.0
Middle					
2022	18.7	5	45.5	3,501	46.6
Upper					
2022	42.2	3	27.3	2,455	32.7
Not Available					
2022	0.0	3	27.3	1,551	20.7
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>7,506</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## 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.