



Community Reinvestment Act Public File

CRA Performance Evaluation

&

Response

PUBLIC DISCLOSURE

July 29, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mission Bank
RSSD # 2736714**

**1330 Truxton Avenue
Bakersfield, California 93301**

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the 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

Mission Bank is rated "OUTSTANDING"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING	X	X
SATISFACTORY		
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- An overall loan-to-deposit ratio that is reasonable;
- A substantial majority of loans originated within the bank's assessment areas;
- An excellent distribution of loans to small businesses of different revenue sizes;
- An excellent geographic distribution of small business loans, with strong penetration in low- and moderate-income geographies; and
- An excellent responsiveness to community development needs, specifically helping to address the needs for affordable housing and economic development.

INSTITUTION

Description of Institution

Mission Bank (Mission), headquartered in Bakersfield, California, reported total assets of \$686 million as of December 31, 2018. Mission is a wholly-owned subsidiary of Mission Bancorp (Bancorp), which owns two additional subsidiaries that support property exchange transactions and hold the bank's commercial real estate property. The bank operates nine branches in California, with six full-service branches located in Kern County. The remaining three branches are located in Los Angeles County, Ventura County, and San Joaquin County. Two of these branches were opened during the review period. Mission converted its loan production office in Ventura County to a branch office in January 2018. In addition, the bank opened a branch office in the first quarter of 2019 in Stockton, California in San Joaquin County.

Mission's primary business focus is to provide commercial banking products to local businesses in Kern County, Los Angeles County, Ventura County, and San Joaquin County. The bank offers commercial, agricultural, and Small Business Administration (SBA) loan products, including operating lines of credit. Unsecured consumer loans are provided on an accommodation basis. Mission also offers deposit accounts for businesses and consumers, including checking, savings, money market, and certificate of deposit accounts. Other services offered include remote deposit capture, online banking, cash management services, and automated clearing house transactions.

Exhibit 1 below reflects the bank's loan portfolio, as of December 31, 2018, and illustrates the bank's commercial lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2018		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	368,264	67.0
Farm Land & Agriculture	94,514	17.2
Secured by 1-4 Family Residential Real Estate	37,119	6.8
Construction & Land Development	25,614	4.7
Multi-Family Residential Real Estate	18,000	3.3
All Other	5,781	1.1
Consumer Loans & Credit Cards	138	0.0
Total (Gross)	549,430	100.0

During the review period, Mission's assessment area expanded with the addition of the aforementioned two branch openings in Ventura County and San Joaquin County. The assessment areas now include the Stockton and Ventura market areas, in addition to the Kern and Lancaster assessment areas as described below.

- The Kern assessment area consists of Kern County in its entirety, which constitutes the entire Bakersfield, CA Metropolitan Statistical Area (MSA).

- The Lancaster assessment area consists of the northeastern portion of Los Angeles County. This area is bordered by Kern County to the north, San Bernardino County to the east, and the remainder of Los Angeles County to the south and west.
- The Ventura assessment area includes the entirety of Ventura County, otherwise known as the Oxnard-Thousand Oaks-Ventura, CA MSA.
- The Stockton assessment area includes the entirety of San Joaquin County, otherwise known as the Stockton, CA MSA.

Mission did not face any legal or financial impediments during the review period that would prevent it from helping to meet the credit needs of its assessment areas consistent with its business strategy, size, financial capacity, and local economic conditions. The bank received an overall satisfactory rating at its previous CRA evaluation conducted as of May 23, 2016, under the *Interagency Intermediate Small Institution CRA Examination Procedures*.

Scope of Examination

Mission's CRA performance was evaluated using the *Interagency Intermediate Small Institution CRA Examination Procedures*, which consist of the lending and community development tests. The Kern assessment area was subject to a full-scope review as it is the bank's primary market. The Lancaster assessment area received a limited-scope review based on Mission's limited lending volume and deposit share within this area. The Ventura and Stockton assessment areas were also reviewed under limited-scope reviews as the bank recently expanded into these areas and the footprint remains small relative to Kern County.

LENDING TEST

The lending portion of the evaluation was based on the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside the assessment area (Lending in the Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different sizes (Lending Distribution by Business Revenue).

Mission's responsiveness to consumer complaints was not evaluated as the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation included the bank's CRA small business loans from July 1, 2018 to December 31, 2018 and the bank's Home Mortgage Disclosure Act (HMDA)-reportable loans from January 1, 2016 to December 31, 2016. Therefore, a total of 93 small business loans and 20 HMDA-reportable loans were considered in the evaluation of Lending in the Assessment Area. Since the volume of HMDA-reportable loans was insufficient to provide meaningful analysis, the Lending Distribution by Geography and Lending Distribution by Business Revenue analyses focused on the 86 small business loans that were extended within the bank's assessment areas.

COMMUNITY DEVELOPMENT TEST

The community development test portion of the examination included an evaluation of Mission's level and impact of community development activities in relation to local needs, as well as the bank's capacity to participate in such activities in the bank's markets. The evaluation was based on qualified community development loans, investments, and services from May 24, 2016, through July 29, 2019.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Mission’s overall performance under the lending test is outstanding. The lending levels compared to the bank’s deposits were reasonable during the review period, and a substantial majority of loans were extended within the bank’s assessment areas. The geographic and borrower distributions of small business loans were also excellent during the review period.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio is reasonable. The bank’s 12-quarter average loan-to-deposit ratio was 84.7 percent as of March 31, 2019. This ratio exceeds the national peer average of 81.9 percent and is slightly below the state average of 85.3 percent, which demonstrates reasonable performance.

LENDING IN ASSESSMENT AREA

As depicted in Exhibit 2 below, a substantial majority of loans were extended inside the bank’s assessment areas.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	86	92.5	23,728	95.3	7	7.5	1,161	4.7
Total Business Related	86	92.5	23,728	95.3	7	7.5	1,161	4.7
HMDA Home Purchase	3	100.0	2,367	100.0	0	0.0	0	0.0
HMDA Refinance	11	100.0	5,942	100.0	0	0.0	0	0.0
HMDA Multifamily	6	100.0	1,535	100.0	0	0.0	0	0.0
Total HMDA Related	20	100.0	9,844	100.0	0	0.0	0	0.0
Total Loans	106	93.8	33,572	96.7	7	6.2	1,161	3.3

GEOGRAPHIC AND BORROWER DISTRIBUTION

Mission’s geographic distribution of small business loans reflects excellent dispersion throughout the assessment areas. The bank demonstrated notably strong performance in low- and moderate-income geographies in the Kern, Lancaster, and Ventura assessment areas. Additionally, the lending distribution of small business loans by business revenues is excellent, as the bank exceeded the performance of aggregate lenders within the Kern and Stockton assessment areas. A majority of the loans were originated in amounts less than \$250,000, which shows that the bank responded to the identified credit need for smaller dollar loans.

RESPONSE TO COMPLAINTS

Mission did not receive any CRA-related complaints during the review period; therefore, responsiveness to consumer complaints was not evaluated.

Community Development Test

The bank’s performance under the community development test is outstanding. The bank extended a significant level of community development loans, investments, and services in the assessment areas. Community development activities were responsive to the articulated needs for affordable housing and economic development. In total, the bank’s community development loans financed 133 affordable rental housing units and helped to create or retain 589 jobs across the assessment areas.

Mission’s community development investments in municipal bonds helped to provide funding for schools where a majority of the students are enrolled in free and reduced lunch programs. In addition, the bank invested in 11 certificates of deposit totaling \$2.7 million in minority- and women-owned financial institutions and low-income credit unions located in areas outside of the bank’s assessment areas. The bank’s donations were primarily to organizations that provide community services to low- and moderate-income individuals. The bank’s community development services included activities such as providing technical assistance to organizations that serve underprivileged individuals and participating as board members on organizations that serve small businesses.

Exhibit 3 below illustrates the bank’s community development activities. Further details of these activities are provided in full-scope assessment area conclusions below.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Kern AA	75	51,016	0	0	33	2,034	29	1,451
Lancaster AA	16	9,059	0	0	18	1,001	2	24
Stockton AA	0	0	0	0	1	2	0	0
Ventura AA	12	8,323	0	0	0	0	4	95
Broader Statewide or Regional Area	1	540	0	0	1	750	0	0
Nationwide	0	0	0	0	11	2,701	0	0
Total	104	68,938	0	0	64	6,486	35	1,570

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, a review of Mission’s compliance with consumer protection laws and regulations was conducted and found no violations of the substantive provisions of anti-discrimination, fair lending, or other illegal credit practice rules, laws, or regulations that were inconsistent with helping to meet community credit needs.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

For each assessment area where a full-scope review was performed using the examination procedures.

Kern Assessment Area

DESCRIPTION OF OPERATIONS IN KERN ASSESSMENT AREA

The Kern assessment area consists of Kern County in its entirety. Kern County is the southernmost county within the San Joaquin Valley, which includes San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings and Tulare counties. The assessment area is bordered by Kings and Tulare counties to the north, San Bernardino County to the east, Ventura and Los Angeles counties to the south, and San Luis Obispo County to the west. During the review period, the assessment area was home to 896,764 people.¹

The Kern assessment area had 20 Federal Deposit Insurance Corporation-insured commercial institutions operating 91 offices as of June 30, 2018.² Mission operated six branches in the assessment area, which had total deposits of \$448.5 million, representing 5.0 percent of the market.³ In 2018, there were 95 small business lenders operating within Kern County that were subject to the reporting requirements of the CRA. These lenders extended 14,368 small business loans totaling approximately \$472.7 million.⁴ Reporting institutions represent only a portion of all institutions competing for small business lending in the assessment area.

Exhibit 4 on the following page presents key demographic and business information from the 2018 FFIEC Census and 2018 Dun and Bradstreet data, which was used to help develop a performance context for the assessment area.

¹ U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2018; available from: www.census.gov/quickfacts/.

² Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

³ Ibid.

⁴ Information based on 2018 aggregate data consisting of institutions required to file annual CRA data.

EXHIBIT 4 ASSESSMENT AREA DEMOGRAPHICS KERN ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	14	9.3	18,025	9.2	8,253	45.8	48,684	24.8
Moderate-income	40	26.5	42,620	21.7	13,472	31.6	32,197	16.4
Middle-income	44	29.1	63,927	32.6	11,156	17.5	31,508	16.1
Upper-income	48	31.8	71,284	36.4	5,075	7.1	83,708	42.7
Unknown-income	5	3.3	241	0.1	40	16.6	0	0.0
Total AA	151	100.0	196,097	100.0	37,996	19.4	196,097	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	28,763	8,194	5.6	28.5	16,660	57.9	3,909	13.6
Moderate-income	62,634	23,228	15.8	37.1	33,034	52.7	6,372	10.2
Middle-income	95,144	47,544	32.3	50.0	35,870	37.7	11,730	12.3
Upper-income	102,704	67,982	46.2	66.2	26,923	26.2	7,799	7.6
Unknown-income	284	177	0.1	62.3	88	31.0	19	6.7
Total AA	289,529	147,125	100.0	50.8	112,575	38.9	29,829	10.3
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	1,681	6.1	1,551	6.1	124	6.6	6	3.6
Moderate-income	5,624	20.4	5,166	20.2	423	22.4	35	21.1
Middle-income	7,612	27.6	7,085	27.7	475	25.2	52	31.3
Upper-income	12,551	45.4	11,656	45.6	822	43.6	73	44.0
Unknown-income	155	0.6	112	0.4	43	2.3	0	0.0
Total AA	27,623	100.0	25,570	100.0	1,887	100.0	166	100.0
% of Total Businesses				92.6		6.8		0.6
2018 Median Family Income ⁵			\$52,649	December 2018 Median Housing Value ⁶			\$242,380	
2018 Adjusted Median Family Income ⁷			\$58,700	2018 Unemployment Rate ⁸			8.0%	

⁵ FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁶ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata/>.

⁷ FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁸ Annual Unemployment Rate, U.S Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

Economic Conditions

Kern County has been referred to as “The Golden Empire” because of its rich history of gold, oil, and agricultural production.⁹ Located at the southern end of California’s Central Valley, Kern County consistently ranks among the top five most-productive agricultural counties in the United States and is one of the nation’s leading petroleum-producing counties.¹⁰ Because of its unique geographical positioning, Kern County has also become the distribution center for some of the world’s largest companies,¹¹ including Amazon, which opened a fulfillment center in Bakersfield in August 2018.¹² The county is host to a major freeway system, providing access to California’s central coast, Arizona, Nevada, and Utah.¹³

Over the course of the review period, Kern County experienced overall economic improvement driven by energy production and resources, as well as the agriculture and defense industries.¹⁴ Performance, however, was uneven across these various sectors. The county’s exposure to the energy industry highlights the volatility of the region’s economic fortunes, which can rise and fall in concert with oil and gas prices.¹⁵ Nevertheless, the labor market improved over the course of the review period in government and private services, and the leisure/hospitality and education/healthcare sectors realized significant growth in late 2018.¹⁶

California is the national leader in agricultural production and exports, and Kern County was the most productive agricultural county in California in 2017 and 2016.¹⁷ While agriculture is a significant economic driver for the county, its contribution to job creation is limited.¹⁸ Weaker crop prices, rising costs for water and fuel, and new overtime regulations all impacted farmers’ incomes.^{19,20} As stricter immigration laws came into effect, the laws reduced the supply of labor and raised input costs further with higher wages for domestic seasonal workers.²¹ Moreover, retaliatory Chinese trade tariffs hurt Kern County disproportionately because the trade-dependent economy counts on Asia for more than half of its exports.²² However, the USDA approved \$196.7 million in assistance to growers of the county’s top crops to provide short term relief.²³

⁹ State of California, Employment Development Department, Kern County, California; available from: <https://www.labormarketinfo.edd.ca.gov/geography/kern-county.html>.

¹⁰ Ibid.

¹¹ Ibid.

¹² Tim Calahan, “Amazon Fulfillment Center Opening in Bakersfield Kept Quiet, Until Today”, *23ABC News Bakersfield*, August 27, 2018; available from: <https://www.turnto23.com/news/local-news/amazon-fulfillment-center-opening-in-bakersfield-kept-quiet-until-today> (accessed July 26, 2019).

¹³ State of California, Employment Development Department, Kern County, California; available from: <https://www.labormarketinfo.edd.ca.gov/geography/kern-county.html>.

¹⁴ Moody’s Precip Report, Bakersfield CA, November 2017 and March 2019.

¹⁵ Moody’s Precip Report, Bakersfield CA, November 2017.

¹⁶ Moody’s Precip Report, Bakersfield CA, November 2018.

¹⁷ California Agricultural Statistics Review 2017-2018; available from: <http://www.cdfa.ca.gov/Statistics/PDFs/2017-18AgReport.pdf>.

¹⁸ Moody’s Precip Report, Bakersfield CA, March 2019.

¹⁹ Moody’s Precip Report, Bakersfield CA, November 2017.

²⁰ Moody’s Precip Report, Bakersfield CA, November 2018.

²¹ Ibid.

²² Moody’s Precip Report, Bakersfield CA, March 2019.

²³ Moody’s Precip Report, Bakersfield CA, November 2018.

Kern County is the second most productive oil-producing county in the nation²⁴ and is the biggest oil producer in California.²⁵ The sharp downturn in oil prices in 2015 and 2016 resulted in the loss of approximately 5,000 jobs in mining, quarrying, and oil and gas extraction.²⁶ The industry had only recouped about one-third of those jobs as of March 2019.²⁷ Local producers are sensitive to global oil prices, as well as the demand created by OPEC supply cuts and government sanctions on Iran and Venezuela.²⁸ Moreover, while rising oil prices spur more drilling in Kern County, technological innovations and advances over the past few years have decreased the need for workers.²⁹

Kern County is at the heart of California's aerospace, military, and defense presence. Due to the proximity of Edwards Air Force Base and China Lake Naval Air Warfare Station, which are focused on flight systems, the county's high desert region is also home to many private firms specializing in aerospace technology and related fields.³⁰ Edwards Air Force Base is the area's top employer,³¹ and as weapons development continues, China Lake consistently adds both military and civilian jobs.³² Additionally, the region's aerospace programs are at the forefront of the industry with companies, such as the Spaceship Company, Virgin Galactic, and the Mojave Air and Space Port gaining international recognition for space tourism and the first-ever privately-funded space flight.³³

Economic improvements in the assessment area can be seen in small lending. As depicted in Exhibit 5 on the following page, a review of small business loan data reported by banks subject to the CRA shows that the number and amount of loans to small businesses in the assessment area improved during the early portion of the review period, but levelled off in 2017 and remain depressed relative to levels achieved prior to the Great Recession. Lending to small businesses plays a critical role in the economy given that small businesses represent 92.6 percent of all businesses in the assessment area as depicted in Exhibit 4.

²⁴ Kern Economic Development Corporation, Economic Impacts: Kern County Oil & Gas Industry; available from: <http://kedc.com/wp-content/uploads/2017/08/OG-Flyer-Updated-8-28.pdf>.

²⁵ Moody's Precise Report, Bakersfield CA, November 2017.

²⁶ Ibid.

²⁷ Moody's Precise Report, Bakersfield CA, March 2019.

²⁸ Moody's Precise Report, Bakersfield CA, March 2019.

²⁹ Moody's Precise Report, Bakersfield CA, November 2018.

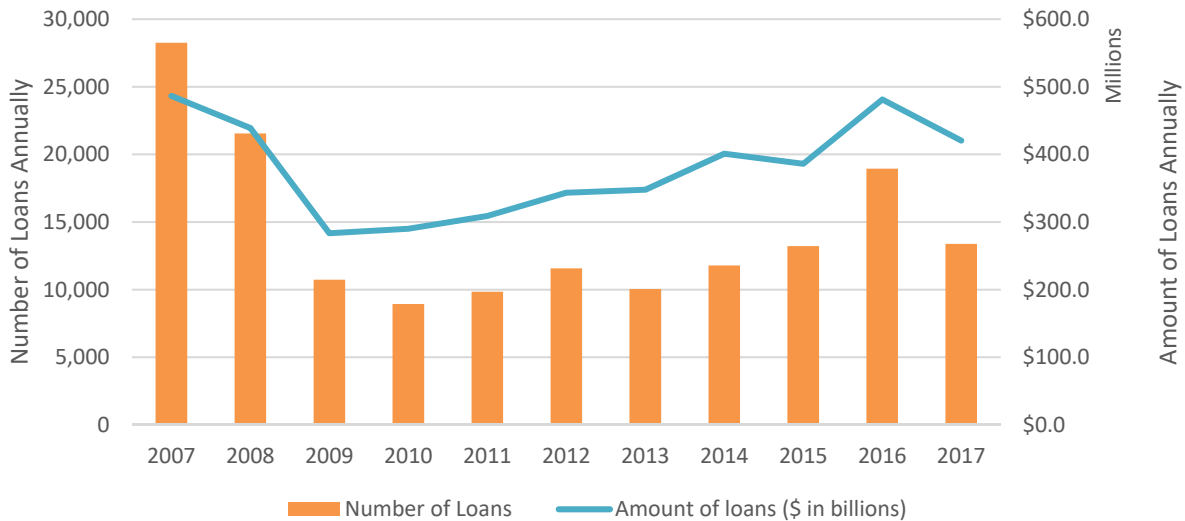
³⁰ Kern County Economic Development Corporation, Target Industries, Aerospace & Defense; available at: <http://kedc.com/site-selection/target-industries/aerospace-defense> (accessed on July 26, 2019).

³¹ Moody's Precise Report, Bakersfield CA, March 2019.

³² Kern County Economic Development Corporation, Target Industries, Aerospace & Defense; available at: <http://kedc.com/site-selection/target-industries/aerospace-defense> (accessed on July 26, 2019).

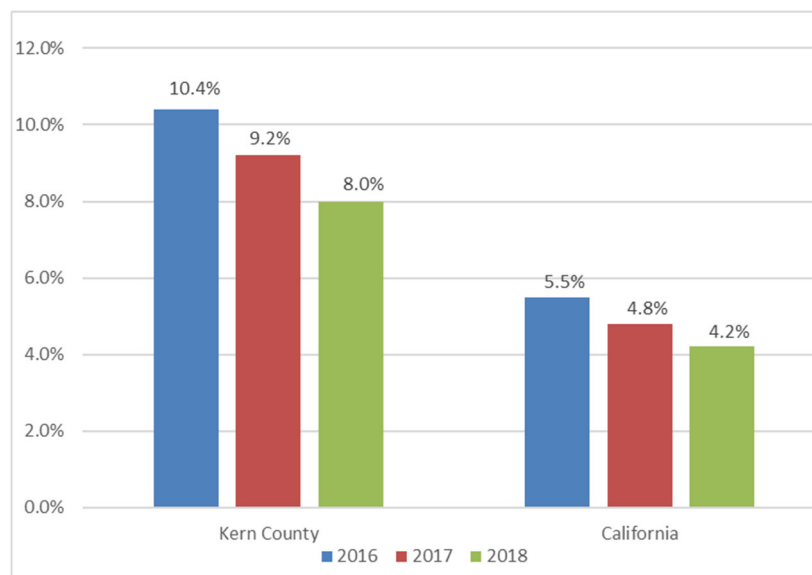
³³ Kern County Economic Development Corporation, 2018 Kern County Market Overview; available at: <http://kedc.com/wp-content/uploads/2018/07/KEDC-2018-Market-Overview.pdf>.

Exhibit 5
Loans to Small Businesses in Assessment Area³⁴
2007-2017



As depicted in Exhibit 6 below, the unemployment rate decreased steadily during the review period. However, Kern County’s annual unemployment rate was the fifth highest rate in the state of California at 8.0 percent in 2018.

Exhibit 6
Unemployment Rate³⁵
2013-2018



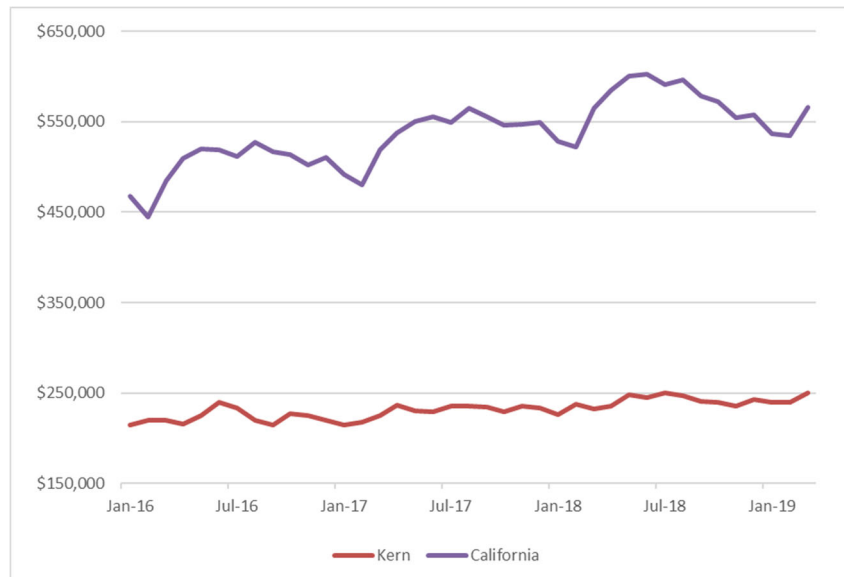
³⁴ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national.aspx>.

³⁵ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

As depicted in Exhibit 7 below, median home prices in Kern County are significantly lower than the statewide median. While home prices in the assessment area increased during the review period, the rate of increase was much lower compared to statewide home prices. With rising housing prices, home ownership has become increasingly less accessible to households. According to the California Association of Realtors' Traditional Housing Affordability Index, 50.2 percent of families in Kern County can afford to purchase the median priced home in their region compared to 57 percent of families in the U.S.³⁶

Housing affordability is a serious problem in California. Cuts in federal and state funding have reduced investments in affordable housing in Kern County by more than \$34 million annually since 2008, which is a 73 percent reduction.³⁷ Additionally, Low Income Housing Tax Credit production and preservation in Kern County decreased 89 percent from 2016 to 2018.³⁸ Kern County needs 26,203 more affordable rental homes to meet the current demand.³⁹ Renters in Kern County need to earn 1.5 times the state minimum wage to afford the median monthly asking rent of \$915.⁴⁰ The pressure of the housing market affects low-income households the most. Low-income households experience the threat of displacement and homelessness at higher rates, pay a disproportionate percentage of their income on rent, and face overcrowding as a means to deal with rising housing costs.

Exhibit 7
Median Home Prices⁴¹
January 2016- April 2019



³⁶ California Association of Realtors, Housing Affordability Index-Traditional, 2019 Q1; available from: <http://www.car.org/marketdata/data/haitraditional/>.

³⁷ California Housing Partnership, Kern County's Housing Emergency Update, May 2019; available from: <http://chpc.net/wp-content/uploads/2019/05/Kern-HNR-2019.pdf>.

³⁸ Ibid.

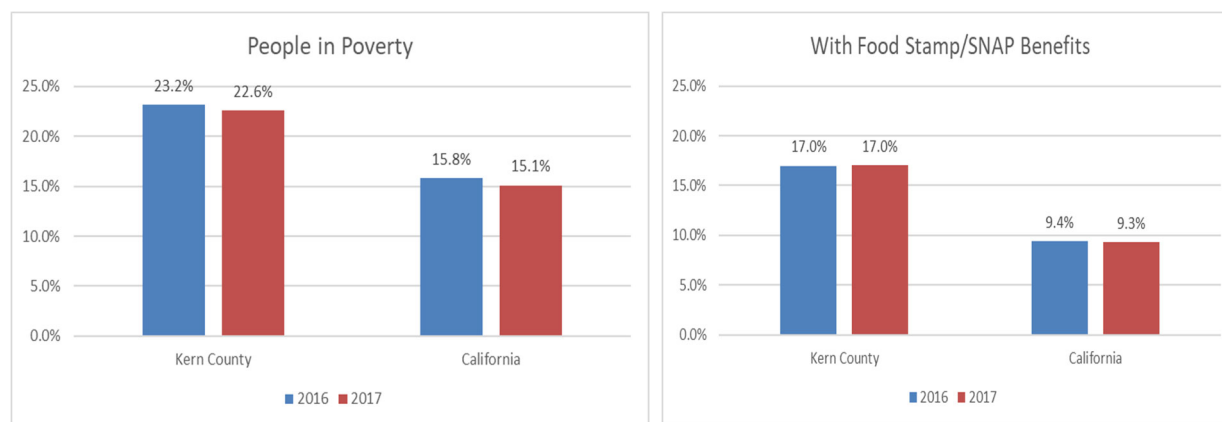
³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/en/marketdata/data/housingdata>.

As depicted in Exhibit 8 below, the percentage of people living below the poverty level declined slightly, while the percentage of households on food stamps in the assessment area remained stable. According to the Supplemental Poverty Measure (SPM), which factors in regional cost-of-living, government assistance programs, and housing costs, an estimated 19 percent of people in California live in poverty.⁴² The liquid asset poverty rate represents the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income.⁴³ In Kern County, 49 percent of all households are liquid asset poor, compared to 38 percent statewide and 40 percent nationwide.⁴⁴

Exhibit 8
Poverty and Food Stamp Usage Rates⁴⁵
2016-2017



Credit and Community Development Needs

The economic data, as well as feedback from community contacts, indicate that small businesses in the assessment area face challenges in accessing credit and that some level of small business credit needs remain unmet by area banks. Community contacts noted that Kern County has been disproportionately impacted by the general trend in the financial sector of bank branch closures. This is particularly problematic for residents in rural areas of the county who have to travel over one hour to visit a bank branch. The underbanked residents of the rural community lack access to credit opportunities and have a need for alternative banking access, such as ATMs or rotating “office hours” of visiting bank representatives.

CRA reportable small business lending levels are improving but remain below levels experienced prior to the Great Recession. According to the 2018 Small Business Credit Survey (SBCS), 43 percent of employer firms applied for financing in the prior 12 months.⁴⁶ Less than half of the firms that applied for credit—47 percent—received all of the financing they sought.⁴⁷ A majority of firms applied for financing in

⁴² U.S. Census Bureau, The Supplemental Poverty Measure: 2017; available from: <https://www.census.gov/library/publications/2018/demo/p60-265.html>.

⁴³ Prosperity Now, Scorecard, Kern County, CA; available from: <https://scorecard.prosperitynow.org/data-by-location>.

⁴⁴ Ibid.

⁴⁵ Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.

⁴⁶ Small Business Credit Survey, Report on Employer Firms 2019, available from:

<https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

⁴⁷ Ibid.

amounts of less than \$100,000, and the majority of all applicants were looking to expand their business or pursue a new opportunity.⁴⁸ Of the financing and credit products sought by businesses, 85 percent of applicants applied for either a business loan or line of credit.⁴⁹ Loan/line of credit and cash advance applicants reported higher approval rates—60 percent—in the 2018 survey than in previous surveys.⁵⁰ However, funding gaps were most acute for firms seeking \$100,000 to \$250,000, with 54 percent of these applicants receiving less than the full amount of financing sought.⁵¹ Financing shortfalls were particularly pronounced among firms with weak credit profiles, unprofitable firms, younger firms, and firms in urban areas.⁵² Overall, there is a general need for more access to credit and smaller dollar loans. This need is particularly acute for low-income individuals who are seeking to open new businesses or expand their home-based businesses. Commercial real estate and microloans for working capital, tenant improvements, and equipment financing would be beneficial.

A variety of factors mentioned previously, including the rising cost of housing and rent, establish the need for affordable housing development and financing within the assessment area. The assessment area faces a substantial shortage of affordable housing and rental units. Community contacts indicated that Kern County has experienced an influx of residents looking for more affordable housing outside of the Los Angeles metro area. The housing crisis in the assessment area is exacerbated by overcrowding, sub-standard housing, and little rehabilitation or replacement of its older housing stock. Additionally, area farm laborers are experiencing a housing crisis due to the USDA income limits that are below the current minimum wage level. Local financial institutions can have an impact by filling in the gaps in funding for tax credits targeting households with 30 to 40 percent average median incomes coupled with USDA requirements. There is a significant need for participation in tax credit programs. Also, there is an articulated need for supportive services, which are the most challenging aspects of securing financing for affordable housing development projects. Contacts noted that smaller dollar investments in playgrounds or resident services for affordable housing developments provide substantial impact and improve the likelihood of the viability of a planned development project.

The prevalence of poverty highlights the importance of community service organizations within the bank's communities. There is an opportunity for banks to support a wide range of community needs in the assessment area, from affordable housing to access to credit for small businesses, by engaging in community development activities and/or partnering with organizations that address the aforementioned needs of those most vulnerable in the community. Some of the most impactful activities by banks are affordable housing endeavors in the form of grants, special loan products, and advocacy work and education around home ownership and financial literacy.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KERN ASSESSMENT AREA

Lending Test

Overall, Mission’s lending test performance in the Kern assessment area is outstanding. The bank’s small business lending demonstrated excellent dispersion in geographies of all income levels and the level of lending to businesses of different sizes is also excellent.

Lending Distribution by Geography

The geographic distribution of small business loans is excellent. As shown in Exhibit 9, Mission’s performance exceeded aggregate lending levels in low- and moderate-income geographies. Lending levels were particularly strong in low-income geographies. The geographic distribution demonstrates responsiveness to the credit needs of the assessment area.

EXHIBIT 9 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Kern Assessment Area 2018								
Bank Lending	7	12.5	11	19.6	11	19.6	27	48.2
Aggregate Lending	620	4.4	2,533	17.8	3,540	24.9	7,532	52.9
Business Concentration	1,681	6.1	5,624	20.5	7,612	27.7	12,551	45.7

Lending Distribution by Borrower Income and Business Revenue

As depicted in Exhibit 10, Mission’s distribution of small business loans by borrower revenues is excellent. The bank’s percentage of lending to businesses with gross annual revenues of \$1 million or less exceeds the performance of aggregate lenders operating within the assessment area. In addition, a majority of loans were extended in amounts of \$250,000 or less, which shows that Mission’s performance was responsive to the aforementioned need for smaller dollar loans.

EXHIBIT 10 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	56	42.9	92.6	39.4	32.1	30.4	37.5

Community Development Test

Mission's performance under the community development test is outstanding. The bank demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. The bank's community development loans, which were primarily provided through the SBA 504 loan program, were particularly responsive to the need for economic development. Other notable community development loans helped to provide affordable rental housing units for low- and moderate-income individuals. In addition, the bank's community development investments were targeted to schools that primarily serve low- and moderate-income students and the bank's community development services provided technical assistance to small business owners.

Community Development Lending

Mission originated a total of 75 community development loans totaling \$51.0 million within the Kern assessment area during the review period. A significant majority of these loans were targeted toward economic development as 64 loans totaling \$47.9 million helped retain or create 511 jobs. The bank also extended \$2.7 million in affordable housing loans that helped to provide 76 below market rate rental units for low- and moderate-income individuals. Notable loans include:

- An SBA 504 loan for \$662,500 that allowed a business to expand operations and helped to retain and create 177 jobs.
- An SBA 504 loan for \$5.6 million that was provided to construct a new hotel in the assessment area. A total of nine jobs were created as a result of this loan.
- A loan for \$1.5 million that provided 24 affordable housing rental units for low- and moderate-income individuals.
- A loan for \$261,000 that provided 10 below market rate rental units for low- and moderate-income individuals.

Community Development Investments

The bank made six investments totaling \$2.0 million and 27 donations totaling \$50,275 in the Kern assessment area during the review period. The bank's investments were allocated in municipal bonds for local school districts that primarily serve low- and moderate-income students. Mission's donations primarily provided community services to low- and moderate-income individuals. Notable examples include donations to help fund educational summer programs for low- and moderate-income children and funds donated to a homeless shelter that provides services, such as emergency food and shelter assistance, and medical and dental programs to low- and moderate-income individuals.

Community Development Services

Mission provided 1,451 community service hours to 11 different organizations within the assessment area. These services were primarily targeted to community services for low- and moderate-income individuals and economic development. Notable examples of such services include the following:

- One employee provided 665 service hours by serving on the board of an organization that primarily provides services such as educational and nutritional meal programs to low- and moderate-income children.

- One employee provided 226 service hours by serving on a board of an organization that provides technical assistance to small businesses to expand business operations.
- One employee provided 122 service hours to a local organization that provides programs that promote community services for low- and moderate-income individuals. These services include school readiness programs for children from low-income families, food bank services, and free tax assistance to low- and moderate-income individuals.

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

For each assessment area where a limited-scope review was performed using the examination procedures.

Mission's performance in the assessment areas receiving a limited scope review is generally consistent with the performance in the Kern assessment area. The bank had limited loan and deposit activity in the Lancaster, Stockton, and Ventura assessment areas. In addition, the bank's Stockton and Ventura assessment areas received less weight given the amount of time the bank has operated branches in these areas. The performance in these assessment areas did not materially affect the bank's overall rating. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

EXHIBIT 11 LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS		
ASSESSMENT AREAS	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Lancaster	Consistent	Consistent
Stockton	Consistent	Below
Ventura	Consistent	Consistent

The bank's community development performance in the Stockton assessment area was below the performance of the full-scope Kern assessment area. During the limited time the bank has been operating in this area, there were no community development loans originated or community development services provided. Community development activity was limited to a \$1,000 investment in this area.

APPENDIX A

GLOSSARY OF TERMS

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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, which 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).

Full-scope review: Performance under the lending and community development tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the lending and community development tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

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

APPENDIX B

LIMITED-SCOPE ASSESSMENT AREA MARKET PROFILES

All demographic and economic information in this appendix is from one of the following sources:

Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata/>.

Annual Unemployment Rate, U.S Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates; available from: https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml (accessed on July 11, 2019).

Information based on 2018 aggregate data consisting of institutions required to file annual CRA data.

Lancaster Assessment Area

The Lancaster assessment area consists of the northeastern portion of Los Angeles County. The assessment area is bordered by Kern County to the north and the more densely populated areas of Los Angeles County to the south and west. The main cities in the assessment area are Lancaster and Palmdale, and this area makes up the geography known as Antelope Valley. As of 2018, Lancaster had a population of 159,053 and a median household income of \$49,314, while Palmdale had a population of 156,667 and a median household income of \$56,699.¹

Mission has a limited presence in this competitive market for financial services. As of June 30, 2018, the bank's one branch office in this assessment area held over \$121 million in deposits with just 0.03 percent market share in Los Angeles County.² Mission ranked sixth out of 9 FDIC-insured depository institutions operating 33 offices within the assessment area.³ Deposits are primarily concentrated in three nationwide financial institutions that collectively hold 72.2 percent of the market share.⁴ In 2018, there were 73 small business lenders operating within the assessment area that are subject to the reporting requirements of the CRA. These lenders extended 5,240 small business loans for \$105.1 million. Reporting institutions represent only a portion of all institutions competing for small business lending in the assessment area.

On the following pages, Exhibit 12 presents key demographic and business information used to help develop a performance context for the Lancaster assessment area and is based on the 2018 FFIEC Census and 2018 Dun and Bradstreet data. Exhibits 13 and 14 reflect Mission's small business lending activity in the Lancaster assessment area during the review period.

¹ U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates; available from: https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml (accessed on July 11, 2019).

² Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

³ Ibid.

⁴ Ibid.

EXHIBIT 12 ASSESSMENT AREA DEMOGRAPHICS LANCASTER ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	9	11.8	6,699	8.1	3,122	46.6	22,764	27.5
Moderate-income	25	32.9	29,479	35.7	7,320	24.8	15,678	19.0
Middle-income	26	34.2	28,078	34.0	3,796	13.5	15,312	18.5
Upper-income	13	17.1	18,426	22.3	1,029	5.6	28,928	35.0
Unknown-income	3	3.9	0	0.0	0	0.0	0	0.0
Total AA	76	100.0	82,682	100.0	15,267	18.5	82,682	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	12,600	2,155	3.2	17.1	8,807	69.9	1,638	13.0
Moderate-income	41,360	21,436	32.3	51.8	16,354	39.5	3,570	8.6
Middle-income	39,742	24,178	36.4	60.8	11,697	29.4	3,867	9.7
Upper-income	25,614	18,629	28.1	72.7	5,193	20.3	1,792	7.0
Unknown-income	11	0	0.0	0.0	11	100.0	0	0.0
Total AA	119,327	66,398	100.0	55.6	42,062	35.2	10,867	9.1
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	1,592	14.3	1,513	14.2	66	15.6	13	19.7
Moderate-income	2,737	24.6	2,627	24.7	97	22.9	13	19.7
Middle-income	4,128	37.0	3,922	36.8	189	44.6	17	25.8
Upper-income	2,669	24.0	2,578	24.2	69	16.3	22	33.3
Unknown-income	16	0.1	12	0.1	3	0.7	1	1.5
Total AA	11,142	100.0	10,652	100.0	424	100.0	66	100.0
% of Total Businesses				95.6		3.8		0.6
2018 Median Family Income Los Angeles County			\$62,703	December 2018 Median Housing Value Los Angeles County				\$588,140
2018 Adjusted Median Family Income Los Angeles County			\$69,300	2018 Unemployment Rate Los Angeles County				4.7%

EXHIBIT 13 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Lancaster Assessment Area 2018								
Bank Lending	4	33.3	4	33.3	3	25.0	1	8.3
Aggregate Lending	553	10.6	1,227	23.4	2,021	38.6	1,438	27.4
Business Concentration	1,592	14.3	2,737	24.6	4,128	37.1	2,669	24.0

EXHIBIT 14 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	12	33.3	95.6	50.6	33.3	8.3	58.3

Ventura Assessment Area

The Ventura assessment area consists of the entirety of Ventura County. The assessment area is bordered by Kern County to the north, Los Angeles County to the east, and Santa Barbara County to the west. As of 2018, Ventura had a population of 850,967 and a median household income of \$81,972.⁵

Mission has a limited presence in this competitive market for financial services. As of June 30, 2018, the bank's one branch office in this assessment area held over \$9 million in deposits with just 0.05 percent of the market share in Ventura County.⁶ Mission ranked 23rd out of 23 FDIC-insured depository institutions operating 164 offices holding \$19.7 billion in total deposits.⁷ Deposits are primarily concentrated in three nationwide financial institutions that collectively hold 66.3 percent of the market share.⁸ In 2018, there were 115 small business lenders operating within the assessment area that are subject to the reporting requirements of the CRA. These lenders extended 25,059 small business loans for \$723.1 million. Reporting institutions represent only a portion of all institutions competing for small business lending in the assessment area.

On the following pages, Exhibit 15 presents key demographic and business information used to help develop a performance context for the Ventura assessment area and is based on the 2018 FFIEC Census and 2018 Dun and Bradstreet data. Exhibits 16 and 17 reflect Mission's small business lending activity in the Ventura assessment area during the review period.

⁵ U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates; available from: https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml (accessed on July 11, 2019).

⁶ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

⁷ Ibid.

⁸ Ibid.

EXHIBIT 15 ASSESSMENT AREA DEMOGRAPHICS VENTURA ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	9	5.2	6,791	3.4	1,924	28.3	43,971	22.2
Moderate-income	50	28.7	51,183	25.8	7,590	14.8	33,839	17.1
Middle-income	61	35.1	75,440	38.1	4,413	5.8	39,513	20.0
Upper-income	51	29.3	64,314	32.5	1,673	2.6	80,724	40.8
Unknown-income	3	1.7	319	0.2	43	13.5	0	0.0
Total AA	174	100.0	198,047	100.0	15,643	7.9	198,047	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	9,601	2,371	1.4	24.7	6,717	70.0	513	5.3
Moderate-income	73,564	33,096	19.2	45.0	35,742	48.6	4,726	6.4
Middle-income	113,231	70,117	40.6	61.9	36,765	32.5	6,349	5.6
Upper-income	86,356	66,786	38.7	77.3	16,421	19.0	3,149	3.6
Unknown-income	1,147	239	0.1	20.8	715	62.3	193	16.8
Total AA	283,899	172,609	100.0	60.8	96,360	33.9	14,930	5.3
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	2,279	5.2	1,901	4.7	367	11.7	11	3.9
Moderate-income	8,581	19.6	7,991	19.8	529	16.9	61	21.6
Middle-income	17,633	40.4	16,107	40.0	1,417	45.2	109	38.7
Upper-income	14,947	34.2	14,034	34.9	815	26.0	98	34.8
Unknown-income	241	0.6	228	0.6	10	0.3	3	1.1
Total AA	43,681	100.0	40,261	100.0	3,138	100.0	282	100.0
% of Total Businesses				92.2		7.2		0.6
2018 Median Family Income			\$86,766	December 2018 Median Housing Value			\$640,000	
2018 Adjusted Median Family Income			\$96,000	2018 Unemployment Rate			3.8%	

EXHIBIT 16 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Ventura Assessment Area 2018								
Bank Lending	2	18.2	2	18.2	7	63.6	0	0.0
Aggregate Lending	1,331	5.3	4,556	18.3	9,934	39.8	9,141	36.6
Business Concentration	2,279	5.2	8,581	19.8	17,633	40.6	14,947	34.4

EXHIBIT 17 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	12	25.0	92.2	43.6	8.3	58.3	33.3

Stockton Assessment Area

The Stockton assessment area consists of the entirety of San Joaquin County. The assessment area is bordered by Sacramento County to the north, Amador and Calaveras counties to the east, Stanislaus County to the south, and Alameda and Contra Costa counties to the west. As of 2018, San Joaquin County had a population of 752,660 and a median household income of \$57,813.⁹

On March 13, 2019, the bank converted its Stockton loan production office to a full-service branch, and added San Joaquin County to the bank's assessment areas. In 2018, there were 18 FDIC-insured depository institutions operating 100 offices holding \$10.4 billion in total deposits in the San Joaquin County.¹⁰ Additionally, there were 99 small business lenders operating within the assessment area that were subject to the reporting requirements of the CRA in 2018. These lenders extended 12,986 small business loans for \$495.9 million. Reporting institutions represent only a portion of all institutions competing for small business lending in the assessment area.

On the following pages, Exhibit 18 presents key demographic and business information used to help develop a performance context for the Stockton assessment area and is based on the 2018 FFIEC Census and 2018 Dun and Bradstreet data. Exhibits 19 and 20 reflect Mission's small business lending activity in the Stockton assessment area during the review period.

⁹ U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates; available from: https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml (accessed on July 11, 2019).

¹⁰ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

EXHIBIT 18 ASSESSMENT AREA DEMOGRAPHICS STOCKTON ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	16	11.5	12,354	7.5	4,981	40.3	38,463	23.5
Moderate-income	36	25.9	34,484	21.0	8,276	24.0	26,864	16.4
Middle-income	50	36.0	56,867	34.7	7,306	12.8	30,425	18.6
Upper-income	37	26.6	60,140	36.7	3,946	6.6	68,093	41.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	139	100.0	163,845	100.0	24,509	15.0	163,845	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	21,105	4,716	3.8	22.3	13,375	63.4	3,014	14.3
Moderate-income	53,114	20,628	16.6	38.8	27,983	52.7	4,503	8.5
Middle-income	81,990	45,041	36.3	54.9	31,127	38.0	5,822	7.1
Upper-income	80,353	53,702	43.3	66.8	22,501	28.0	4,150	5.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	236,562	124,087	100.0	52.5	94,986	40.2	17,489	7.4
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	1,938	8.4	1,672	7.9	239	14.7	27	15.9
Moderate-income	4,386	19.1	4,012	19.0	354	21.8	20	11.8
Middle-income	7,997	34.8	7,377	34.9	555	34.2	65	38.2
Upper-income	8,640	37.6	8,106	38.3	476	29.3	58	34.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	22,961	100.0	21,167	100.0	1,624	100.0	170	100.0
% of Total Businesses				92.2		7.1		0.7
2018 Median Family Income			\$59,946	December 2018 Median Housing Value			\$365,000	
2018 Adjusted Median Family Income			\$63,700	2018 Unemployment Rate			6.0%	

EXHIBIT 19 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Stockton Assessment Area 2018								
Bank Lending	0	0.0	1	16.7	1	16.7	4	66.7
Aggregate Lending	857	6.6	1,916	14.8	4,424	34.1	5,789	44.6
Business Concentration	1,938	8.4	4,386	19.1	7,997	34.8	8,640	37.6

EXHIBIT 20 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	6	66.7	92.2	44.7	50.0	33.3	16.7

Quarterly Report of Efforts to Improve Record if Less than Satisfactory CRA Rating

Not applicable