



PUBLIC DISCLOSURE

January 03, 2017

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

Provident Savings Bank, FSB
Charter Number 706051

6570 Magnolia Avenue
Riverside, CA 92506-2469

Office of the Comptroller of the Currency

1551 North Tustin Avenue Suite1050
Santa Ana, CA 92705

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 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.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The Lending Test is rated: "Satisfactory."

The Community Development Test is rated: "Outstanding."

The following major factors support the institution's rating:

- The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and business strategy.
- The geographic distribution of loans reflects reasonable dispersion.
- Lending among borrowers of different income levels reflects overall reasonable penetration given performance context factors.
- The bank provides an excellent level of community development activities.

Scope of Examination

This examination evaluates the CRA performance of Provident Savings Bank (PSB or the bank). We used Intermediate Small Bank (ISB) CRA procedures. We performed a full-scope examination of the bank's assessment area (AA), the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). This process included an evaluation of CRA activities under the Lending Test criteria, as well as an evaluation of lending, investments, and services under the Community Development Test.

We also assessed the bank's lending performance in Los Angeles County and Orange County since the bank has less than a majority of loans within its AA. Lending in these two counties along with the lending in the bank's Riverside-San Bernardino-Ontario AA includes over 58 percent of the bank's reported mortgage loans by number and almost 55 percent of reported lending volume by dollar during the evaluation period.

Lending Test: We evaluated the bank's Home Mortgage Disclosure Act (HMDA) lending activity because it included the bank's primary loan products. Our analysis included home purchase, home refinance, and home improvement loans from January 1, 2014, through December 31, 2015. For our examination, we first conducted a "data integrity" test of the bank's HMDA loan data for the evaluation period. Based on the degree of accuracy in our data testing, we then evaluated the bank's lending patterns using applicable loan data for the evaluation period. We did not evaluate commercial loans because they were not a primary loan product.

Community Development Test: We considered all qualifying community development (CD) activities since the bank's prior CRA examination from November 30, 2013, through December 31, 2016.

Description of Institution

PSB is a full-service federally chartered stock savings bank headquartered in Riverside, California. PSB is a wholly owned subsidiary of Provident Financial Holdings, Inc. (PFH), a Delaware corporation. PFH has not engaged in any significant activity other than holding the stock of the bank.

PSB is an intrastate bank that conducts its business operations primarily as Provident Bank and Provident Bank Mortgage, a division of the bank. The bank operates 13 branches in Riverside County and one branch in San Bernardino County. Provident Bank Mortgage operates two wholesale loan production offices (LPO), one in Pleasanton and one in Rancho Cucamonga, California, and 14 retail loan production offices in Carlsbad, City of Industry, Elk Grove, Escondido, Glendora, Livermore, Rancho Cucamonga, Riverside (3), Roseville, Santa Barbara, Victorville, and Westlake Village, California.

The bank's business consists of community banking activities serving consumers and small to mid-sized businesses and mortgage banking activities. PSB offers a full range of loan and deposit products and services. Mortgage banking activities primarily consist of the origination, purchase and sale of single-family mortgage loans (including second mortgages and equity lines of credit). The bank also originates multi-family, commercial real estate, construction, commercial business, and consumer loans. PSB provides a variety of alternative banking services including telephone banking, on-line banking, mobile banking, automated teller machine (ATM) services, bill payment, and direct deposit.

As of September 30, 2016, PSB reported total assets of \$1.2 billion, total loans of \$1.1 billion, total deposits of \$968.1 million, and Tier One Capital of \$112.8 million. The following chart summarizes the loan portfolio by major loan type.

Provident Savings Bank Outstanding Balances by Major Product Type as of September 30, 2016		
Loan Type	(\$000's)	Percent
1-4 Family Residential RE	578,327	51.3
Multifamily Residential RE	441,813	39.2
Commercial RE	100,447	8.9
Construction	5,621	0.5
Commercial	631	0.0
Consumer	223	0.0
Total	1,127,062	100%

There are no known legal, financial or other factors that impede the bank's ability to help meet the credit needs of its AA. PSB received a "Satisfactory" rating under the large institution rating criteria at the prior CRA examination in December 2013.

Description of Assessment Area

The Riverside-San Bernardino-Ontario MSA Assessment Area consists of Riverside and San Bernardino Counties. It is commonly known as the Inland Empire region of Southern California. There are 45 FDIC insured financial institutions in the AA with 562 offices. PSB's main competitors include Bank of America, Wells Fargo, JP Morgan Chase, and U.S. Bank. Combined, they hold over 62 percent of the deposit market share. PSB operates 14 branches with deposit taking ATMs in the AA.

The AA covers more than 27 thousand square miles and is bounded by Los Angeles County, Orange County, and Kern County on the west, San Diego County and Imperial County on the south, Inyo County to the north, and La Paz County, Arizona, and Clark County, Nevada to the east. Based on the 2010 Census, the population of the AA was over 4.2 million. The AA is the 13th most populous metropolitan area in the United States, and the third most populous in California. Most of the area's population is located in the southwest of San Bernardino County and the northwest of Riverside County. Major cities in the region include Riverside, San Bernardino, Fontana, Moreno Valley, Rancho Cucamonga, Ontario, and Corona.

According to the State of California Employment Development Department, the unemployment rate in the Riverside-San Bernardino-Ontario MSA was 6.1 percent in October 2016. This compares with an unadjusted unemployment rate of 5.3 percent for California and 4.7 percent for the nation. According to Moody's Investors Service, the expansion in the AA is still solid, yet no longer as impressive as in recent years. Job creation has slowed and earnings growth is still lagging California and the U.S. because many jobs pay only low to medium wages. Strong demographics have pushed up housing prices moderately, but affordability remains high compared with the Pacific coast.

The AA has 822 census tracts. Approximately 6 percent are low-income tracts, 28 percent are moderate-income, 36 percent are middle-income, and 30 percent are upper-income tracts. The 2010 Census median housing value in the AA was \$317,566. According to the National Association of Realtors, the median home price in September 2016 was \$319,000. Approximately 61 percent of all housing units in the AA are owner occupied. The 2010 MSA median family income was \$63,176. The 2015 Federal Financial Institutions Examination Council (FFIEC) adjusted median family income is \$60,500 for the AA. Approximately 12 percent of the households are living below the poverty level. The following table provides demographic information for the bank's AA.

Demographic Information for Full Scope Area: Riverside-San Bernardino-Ontario MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	822	5.72	28.22	35.89	29.56	0.61
Population by Geography	4,224,851	5.71	26.45	35.43	32.09	0.32
Owner-Occupied Housing by Geography	855,253	2.87	21.60	36.29	39.24	0.00
Business by Geography	228,311	4.49	24.05	34.05	37.33	0.08
Farms by Geography	4,883	4.03	23.08	35.35	37.54	0.00
Family Distribution by Income Level	949,542	21.83	17.53	19.81	40.84	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	373,693	9.87	38.84	34.83	16.46	0.00
Median Family Income		63,176	Median Housing Value		317,566	
FFIEC Adjusted Median Family Income for 2015		60,500	Unemployment Rate		5.03%	
Households Below Poverty Level		12%	(2010 US Census)			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census and 2015 FFIEC updated median family income

In conjunction with this CRA examination, examiners contacted a local nonprofit organization to determine primary credit needs in the AA. This organization constructs and rehabilitates homes to eliminate substandard housing locally while providing training and access to resources to help families improve their shelter conditions. The contact felt there is a need for affordable housing and home ownership, lending for home repairs for seniors, and food and supplies for in-need families. The contact also stated that there are numerous opportunities for bank involvement. This includes organizational support and financial education.

Conclusions with Respect to Performance Tests

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test, respectively. Also, refer to the “Institution’s CRA Rating” section of this report for summary conclusions regarding PSB’s performance under each test.

LENDING TEST

The bank’s performance under the CRA Lending Test is Satisfactory. Overall, PSB’s lending activity reasonably meets the credit needs of its delineated AA. The bank exceeds the standard for satisfactory performance in one test, meets the standard for satisfactory performance in two of the tests, and does not meet the standard for satisfactory performance in one test. Performance context reasonably explains the bank’s performance.

Loan-to-Deposit Ratio

PSB’s loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and local economic conditions, and exceeds the standard for satisfactory performance. We evaluated the bank’s quarterly average LTD ratio for the 12 quarters since the prior CRA

examination through September 2016. During this period, the bank’s LTD ratio averaged 106 percent. This ratio ranged from a quarterly low of 95 percent to a quarterly high of 120 percent during this period. The bank’s LTD ratio exceeds six other similarly sized and situated banks. The average LTD ratio for these banks was 78 percent over the same period, and the ratio ranged from 54 percent to 121 percent.

Lending in Assessment Area

PSB granted a majority of the number and dollar volume of loans outside its delineated AA, and does not meet the standard for satisfactory performance. PSB granted only 39 percent of the number of loans and 31 percent of the dollar volume within its delineated AA during our evaluation period. However, this is explained by the bank’s overall business strategy centered in mortgage banking activities and the use of LPOs throughout California. PSB granted a substantial majority of the number and dollar volume of commercial loans inside the AA. See Table 1 for details.

Table 1 – Lending in the Defined Assessment Area January 2014 through December 2015										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	5,546	38	8,882	62	14,428	1,421,684	31	3,176,116	69	4,597,800
Commercial Loans	44	96	2	4	46	5,249	95	261	5	5,510
Total	5,590	39	8,884	61	14,474	1,426,933	31	3,176,377	69	4,603,310

Source: All HMDA reported loans from January 1, 2014 through December 31, 2015 and commercial loans originated from January 1, 2014 through December 31, 2015.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s overall distribution of loans to borrowers of different income levels reflects reasonable penetration compared to area demographics and meets the standard for satisfactory performance. Our analysis took into consideration the limited opportunities to lend to low-income families given the cost of housing compared to low median family income and the level of households below the poverty level. We also considered the significant market competition from local lenders, large national banks, and mortgage companies.

Performance in the Riverside-San Bernardino-Ontario AA

The distribution of PSB’s home mortgage loans to borrowers of different income levels reflects overall reasonable penetration in the AA. The level of loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. However, the percentage of home mortgage loans to low-income borrowers is near the percentage of peer aggregate lending to low-income borrowers in the AA. The level of loans to moderate-income borrowers, while lower than area demographics, exceeds the percentage of peer aggregate lending to moderate-income borrowers in the AA.

The following tables summarize the Borrower Distribution of PSB’s home mortgage loan data.

Distribution of Home Mortgage Loans By Borrower Income Level Riverside-San Bernardino-Ontario AA			
Borrower Income Level	Review Period 2014-2015		Peer Aggregate 2010
	% of Families	% Number of Bank Loans	%
Low	21.83	2.34	2.67
Moderate	17.53	12.26	9.50
Middle	19.81	26.67	18.51
Upper	40.84	53.17	44.04

Source: All mortgage loans originated within its Riverside-San Bernardino-Ontario AA between January 1, 2014, and December 31, 2015. Income not available for 25.28% of the peer aggregate data. No income information was available for 5.56 percent of bank loans.

Performance in Los Angeles County and Orange County

The distribution of PSB’s home mortgage loans to borrowers of different income levels reflects overall reasonable penetration in Los Angeles and Orange counties. The level of loans to low-income borrowers in Los Angeles County is significantly lower than the percentage of low-income families in the County. However, the percentage of home mortgage loans to low-income borrowers meets the percentage of peer aggregate lending to low-income borrowers in the County. The level of loans to moderate-income borrowers, while lower than area demographics, is near the percentage of peer aggregate lending to moderate-income borrowers in Los Angeles County.

The level of loans to low-income borrowers in Orange County is significantly lower than the percentage of low-income families in the County. However, the percentage of home mortgage loans to low-income borrowers is near the percentage of peer aggregate lending to low-income borrowers in the County. The level of loans to moderate-income borrowers, while lower than area demographics, exceeds the percentage of peer aggregate lending to moderate-income borrowers in Orange County.

The following tables summarize the Borrower Distribution of PSB’s home mortgage loan data.

Distribution of Home Mortgage Loans By Borrower Income Level Los Angeles County			
Borrower Income Level	Review Period 2014-2015		Peer Aggregate 2010
	% of Families	% Number of Bank Loans	%
Low	24.05	1.68	1.69
Moderate	16.43	5.29	5.93
Middle	17.64	19.55	13.94
Upper	41.88	62.07	58.64

Source: All home mortgage loans originated within Los Angeles County between January 1, 2014, and December 31, 2015. Income not available for 19.80 percent of the peer aggregate data. No income information was available for 11.41 percent of bank loans.

Distribution of Home Mortgage Purchase Loans By Borrower Income Level Orange County			
Borrower Income Level	Review Period 2014-2015		Peer Aggregate 2010
	% of Families	% Number of Bank Loans	%
Low	22.02	1.66	2.34
Moderate	17.33	10.66	8.69
Middle	19.49	25.35	19.29
Upper	41.16	55.12	53.21

Source: All home mortgage loans originated within Orange County between January 1, 2014, and December 31, 2015. Income not available for 16.47 percent of the peer aggregate data. No income information was available for 7.21 percent of bank loans.

Geographic Distribution of Loans

The overall performance for geographic distribution of PSB’s loans reflects reasonable dispersion compared to area demographics and meets the standard for satisfactory performance. Our analysis took into consideration the low percentage of owner-occupied housing units in low-income geographies. We also considered the strong competition from large, local, and nationwide financial institutions.

Performance in the Riverside-San Bernardino-Ontario AA

The geographic distribution of PSB’s home mortgage loans reflects overall reasonable dispersion in the AA. The percentage of home mortgage loans made in low-income geographies is lower than the percentage of owner-occupied housing units in low-income geographies. However, the percentage of home mortgage loans made in low-income geographies is near the percentage of peer aggregate home mortgage loans in low-income geographies.

The percentage of home mortgage loans made in moderate-income geographies is lower than the percentage of owner-occupied housing units in moderate-income geographies. However, the percentage of home mortgage loans made in moderate-income geographies is near the percentage of peer aggregate home mortgage loans in moderate-income geographies.

The following tables summarize the Geographic Distribution of PSB’s home mortgage loan data.

Home Mortgage Loans Riverside-San Bernardino-Ontario AA			
Census Tract Designation	Review Period 2014-2015		Peer Aggregate 2010
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	2.87	1.97	2.06
Moderate	21.60	14.64	15.82
Middle	36.29	37.11	36.93
Upper	39.24	46.29	45.19

Source: All mortgage loans originated within its Riverside-San Bernardino-Ontario AA between January 1, 2014, and December 31, 2015.

Performance in Los Angeles County and Orange County

The geographic distribution of PSB’s home mortgage loans reflects overall good dispersion in Los Angeles and Orange Counties. The percentage of home mortgage loans made in low- and moderate-income geographies in Los Angeles County exceeds both the percentage of owner-occupied housing units and the peer aggregate data.

The percentage of home mortgage loans made in low-income geographies in Orange County is near the percentage of owner-occupied housing units in low-income geographies and exceeds the percentage of peer aggregate lending in low-income geographies. The percentage of home mortgage loans made in moderate-income geographies in Orange County exceeds the percentage of owner-occupied housing units in moderate-income geographies and the peer aggregate data in moderate-income geographies.

The following tables summarize the Geographic Distribution of PSB’s home mortgage loan data.

Geographic Distribution of Home Mortgage Loans Los Angeles County			
Census Tract Designation	Review Period 2014-2015		Peer Aggregate 2010
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	2.13	3.41	2.51
Moderate	16.61	17.59	16.41
Middle	28.64	33.86	27.79
Upper	52.61	45.14	53.26

Source: All home mortgage loans originated within Los Angeles County between January 1, 2014, and December 31, 2015. Census tracts are not income-designated tracts for 0.03 percent of aggregate data.

Geographic Distribution of Home Mortgage Loans Orange County			
Census Tract Designation	Review Period 2014-2015		Peer Aggregate 2010
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	2.99	2.35	1.89
Moderate	19.61	20.78	17.36
Middle	33.21	40.17	33.01
Upper	44.19	36.70	47.67

Source: All home mortgage loans originated within Orange County between January 1, 2014, and December 31, 2015. Census tracts are not income-designated tracts for 0.07 percent of aggregate data.

Responses to Complaints

The bank has not received any complaints about its performance under the CRA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The CD performance is rated “Outstanding.” During the evaluation period, PSB has demonstrated an excellent responsiveness to the CD needs of the bank’s AA, considering its performance context and the needs and opportunities within the AA. Overall, PSB’s CD activities exceed the standard for satisfactory performance. We gave most weight to the bank’s CD loans since this is a stated need in the bank’s AA.

Number and Amount of Community Development Loans

CD loan activities reflect excellent responsiveness to the needs within the AA. The bank made 26 CD loans totaling \$13.7 million within the AA during our evaluation period. These loans provided 284 units of affordable housing for low- and moderate-income families in the bank’s AA. Also during the review period, PSB participated in the California Homebuyer’s Downpayment Assistance Program (CHDAP) sponsored by the California Housing Finance Agency (CHFA). The purpose of this program is community development by providing opportunities for affordable housing for first-time, low- and moderate-income borrowers. Under this program, the CHFA takes a second-lien position behind a conventional, Federal Housing Administration (FHA) or CHFA loan, and PSB provides loan funds to close a loan and is later reimbursed by the CHFA. During the review period, PSB granted 51 loans totaling \$295 thousand under this program within its AA. These loans were not HMDA reportable loans for PSB.

Number and Amount of Qualified Investments

CD investment activities reflect excellent responsiveness to the needs within the AA. During the evaluation period, the bank made a \$250 thousand investment in a Community Development Financial Institution. In addition, the bank had certificates of deposit with minority owned and Community Development Financial Institutions totaling \$800 thousand. During the evaluation period, PSB and affiliate, PSB Charitable Foundation, Inc., made donations totaling \$72 thousand to 15 organizations within the AA. Overall, this is an improvement from the last CRA performance evaluation.

Extent to Which the Bank Provides Community Development Services

The bank’s CD services program demonstrates adequate responsiveness to the needs within its AA. Bank employees were involved in numerous volunteer services and activities resulting in over 872 community service hours in the AA. Bank employees provide CD service hours for organizations that provide affordable housing and are involved in community services for low- and moderate-income families. In addition, five of the bank’s 14 branches are located in a

moderate-income census tract which increases access to financial services for low- and moderate-income individuals. Examples of PSB's Community Development services include:

- A bank officer serves as a board member for a non-profit organization that provides supportive services to help families, low-income individuals, veterans, and homeless who are in need.
- A bank officer serves a non-profit organization that provides food and clothing assistance to those in need.
- A bank officer serves as a board member for a center that provides workforce education, job training, and skill development for low- and moderate-income individuals.
- A bank officer serves a non-profit organization which works to revitalize neighborhoods by improving the quantity, quality, and condition of affordable housing opportunities for low-income households.
- A bank officer serves as a committee member for a public agency that provides affordable housing opportunities to low- and moderate-income families.

Responsiveness to Community Development Needs

Considering the bank's capacity and opportunities, PSB's overall CD performance demonstrates excellent responsiveness to CD needs through CD loans, investments, and services activities. In addition, five of the bank's 14 branches are located in moderate-income census tracts, which increases access to financial services for low- and moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.