



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

May 29, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Malaga Bank FSB  
Charter Number 708089

2514 Via Tejon  
Palos Verdes Peninsula, California 90274-1311

Office of the Comptroller of the Currency  
Santa Ana Field Office  
1551 Tustin Avenue, Suite 1050  
Santa Ana, California 92705-8661

**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 (LMI) 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: Satisfactory.**

The following major factors support the institution's rating:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable.
- The bank originated a substantial majority of its loans within its combined CRA assessment areas (AAs).
- The geographic distribution of loans reflects reasonable dispersion.
- The overall distribution of mortgage loans to borrowers of different income levels reflects poor penetration and needs improvement. External factors provide performance context.
- The bank provided a satisfactory level of community development (CD) activities.

## **Scope of Examination**

This examination evaluates the bank's CRA performance. Formerly regulated by the Office of Thrift Supervision (OTS), this is the bank's first CRA examination by the Office of the Comptroller of the Currency (OCC). We used intermediate small bank (ISB) CRA procedures. This process includes an evaluation of CRA activities under the Lending Test criteria, as well as an evaluation of lending, investments, and services under the CD Test.

**Lending Test:** The bank makes mortgage loans that are reportable under the Home Mortgage Disclosure Act (HMDA). Mortgage lending comprised the substantial majority of the bank's loan originations during our evaluation period (calendar years 2010 and 2011). As such, we focused our examination scope on originations of mortgage loan products subject to HMDA reporting.

For our examination, we first conducted a "data integrity" test of the bank's regulatory "HMDA Reports" for our evaluation period. We tested a sample of mortgage loan files originated in each year. We compared file information to the applicable CRA-related data on the HMDA loan reports. Based on the degree of accuracy in our data testing, we then evaluated the bank's lending patterns using applicable HMDA loan data for the evaluation period.

**CD Test:** We considered all qualifying CD activities since the bank's last CRA examination, from June 2009 through April 2012.

## Description of Institution

Malaga Bank FSB (MB) is a full-service community bank. The bank is a wholly-owned subsidiary of Malaga Financial Corporation, which is a single-bank holding company that incorporated in November 2002. The bank has four branches located in Los Angeles County: Palos Verdes Estates (main headquarters), Rolling Hills Estates, Torrance and San Pedro. All locations are located in upper-income census tracts. MB did not open or close any branches since the last performance evaluation.

The bank offers traditional banking services at its branch locations. All branches have safe deposit boxes, merchant night deposit drops, and automated teller machines (ATMs). ATMs comply with the requirements of the Americans with Disabilities Act. All branches are open for business Monday through Thursday from 9:00 AM to 5:00 PM, Friday 9:00 AM to 6:00 PM, and Saturday 9:00 AM to 1:30 PM. MB offers traditional lending products with an emphasis on multi-family residential properties. To a lesser extent, MB also provides single-family mortgage loans, commercial real estate loans, commercial/industrial loans and construction lending products. Consumer loans consist largely of home equity lines of credit.

MB's Consolidated Reports of Condition and Income reported total assets of \$832 million, total loans of \$798 million, total deposits of \$556 million, and total equity capital of \$105 million as of March 31, 2012. Total loans represented approximately 96 percent of total assets. The following table summarizes the loan portfolio by major product type by dollars outstanding as of March 31, 2012.

<b>Malaga Bank Loan Portfolio Outstanding Balances by Major Product Type As of March 31, 2012</b>		
<b>Loan Type</b>	<b>(000s)</b>	<b>Percent</b>
Multifamily Residential	\$561,251	70.3%
1-4 Residential Real Estate (RE)	161,319	20.2%
Commercial RE	46,069	5.8%
Consumer RE Lines	20,078	2.5%
Commercial-Industrial	4,811	0.6%
Construction	4,157	0.5%
Consumer/Other	382	0.1%
<b>Total</b>	<b>\$798,067</b>	<b>100%</b>

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the communities it serves. MB received a "Satisfactory" rating from the OTS under the "Intermediate Small Savings Associations" rating criteria at the last CRA examination, dated June 2, 2009.

## Description of AAs

MB has identified two AAs for CRA purposes. Its primary AA is the entire County of Los Angeles. MB also elected to include the entire County of Orange as one of its AAs. Both AAs meet regulatory requirements, have whole census tracts, and do not arbitrarily exclude LMI geographies.

MB operates in a competitive banking environment in both AAs. Management stated primary competitors for multifamily residential loans include J.P. Morgan Chase Bank and Luther Burbank Savings. MB also competes against several large banks for other loan products. Competitors include Bank of America, Wells Fargo Bank, Union Bank, and Citibank.

### Los Angeles County AA

The bank's AA includes the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area (MSA). There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is lesser-populated desert inland; however, the southern half of the County is heavily urbanized. Los Angeles County is the most populous county in the United States. Based on the 2010 U.S. Census, the county population is 9.8 million.

Los Angeles County is located in southern California and covers 70 miles of coastline along the Pacific Ocean. The County spans over 4,000 square miles and includes San Clemente and Santa Catalina Islands. Los Angeles County has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. Most of the state's principal cities are located within the Greater Los Angeles Area.

Los Angeles County has a diverse economic base. Historically, the leading industry clusters were tourism and hospitality, professional and business services, entertainment (motion picture and TV production), wholesale distribution, and health services and biomedical. The "new economy" of Los Angeles County is largely technology driven. This sector includes bio-medical, digital information technology, and environmental technology, all of which build on the vibrant technical research capabilities in the County. The County also is the largest manufacturing center in the United States, and the seaports and airports support international trade. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The top employers in the Los Angeles AA are University of California at Los Angeles, Cedars-Sinai Medical Center, Los Angeles County Sheriff, Nestle USA, Santa Monica College, Sony Pictures Entertainment, Walt Disney Company, and Six Flags Magic Mountain, Inc.

The weak overall employment in the AA is reflective of the struggling national economy. The continuing contractions in the aerospace, construction and manufacturing sectors are delaying the local economic recovery. The Kyser Center for Economic Research reported that Los Angeles County has experienced some economic gains, but is lagging behind the statewide recovery. The Center predicted that the county unemployment rate would improve at a “painfully slow pace.” The California Economic Development Department (EDD) reported that the unemployment rate in Los Angeles County was 11.9 percent in March 2012 compared to the State of California unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

The following table provides demographic information for the Los Angeles County AA.

Demographic Information for Los Angeles County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,054	8.71	28.29	27.99	34.23	0.78
Population by Geography	9,519,338	8.00	29.44	30.88	31.58	0.10
Owner-Occupied Housing by Geography	1,499,694	1.91	15.46	31.30	51.33	0.00
Business by Geography	769,909	7.76	20.54	26.26	44.69	0.75
Farms by Geography	5,966	3.54	14.80	31.11	50.18	0.37
Family Distribution by Income Level	2,154,311	23.87	16.49	17.40	42.24	0.00
Distribution of LMI Families throughout AA Geographies	869,463	13.65	41.46	28.95	15.94	0.00
Median Family Income (MFI)		\$53,036	Median Housing Value		\$276,270	
HUD Adjusted MFI - 2010		\$64,000	(California Association of			
Households below Poverty Level		15.13%	Realtors - March 2012)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

### Orange County AA

Orange County is situated along 42 miles of southern California coast and is bounded by the counties of Los Angeles to the north, San Diego to the south, Riverside and San Bernardino to the east, and by the Pacific Ocean to the west. Orange County covers 798 square miles and includes 34 incorporated cities, two national protected areas and several unincorporated areas. The county’s incorporated cities are mostly located in the northwest area, stretching south along the coast. Orange County has extensive transportation facilities including airports, railroads, and freeways. The freeway system connects the county’s labor force to employment centers in Los Angeles as well as providing extensive access within County borders. The AA includes the Santa Ana-Anaheim-Irvine MSA. Based on the 2010 U.S. Census, the county population is 3 million.

Orange County has a diverse economy. The economic output and employment is well distributed among the various sectors. The County is known for its tourism with attractions such as Disneyland, Knott’s Berry Farm, and several beaches. However,

Orange County also is the headquarters for several Fortune 500 companies, including Ingram Micro, Inc., First American Corporation, Western Digital, and Pacific Life. The major employers include the University of California – Irvine, California State University – Fullerton, First American Title Insurance Company, UC Irvine Healthcare, Hoag Hospital, St. Jude Medical Center, and Orange County Transportation.

Orange County has the lowest unemployment rate in southern California. The Kyser Center for Economic Research predicts the economy will continue to expand in 2012 with all major private industry sectors adding jobs. However, the pace of job growth will likely be slow. The California EDD reported that the unemployment rate in Orange County was 8.5 percent in March 2012 compared to the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

The following table provides demographic information for the Orange County AA.

Demographic Information for Orange County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	577	3.64	26.86	33.10	36.22	0.17
Population by Geography	2,846,289	4.95	30.96	31.84	32.26	00.0
Owner-Occupied Housing by Geography	574,193	1.25	19.56	33.56	45.63	0.00
Business by Geography	368,357	2.38	25.49	33.63	37.70	0.80
Farms by Geography	3,788	2.48	26.03	32.87	38.36	0.26
Family Distribution by Income Level	673,912	3.68	26.72	32.40	37.21	0.00
Distribution of LMI Families throughout AA Geographies	260,573	7.49	41.66	32.12	18.34	0.00
MFI		\$69,844	Median Housing Value		\$485,300	
HUD Adjusted MFI		\$84,200	(California Association of			
Households Below the Poverty Level		8%	Realtors - March 2012)			

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

Examiners contacted organizations to assess community needs as part of this examination. Contacts included a statewide community economic development organization. This organization supports revitalizing LMI areas by assisting small business development through various information and training programs, including programs targeted for LMI persons. Local and federal agencies provide about one-half of the program funding needs. The organization relies upon banks to donate the remaining funding.

Examiners also contacted a statewide affordable housing intermediary, which focuses on ways to provide affordable and safe housing solutions for LMI persons and families, an ongoing need in both AAs. Other agencies and organizations also reported the continued need for loans for small businesses.

## 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 MB’s performance under each test.

### Lending Test

MB’s performance is satisfactory overall under the CRA Lending Test. Performance exceeds the standard for satisfactory performance in two of the tests which compensates for some weaker performance in other tests.

### LTD Ratio

MB’s LTD ratio is more than reasonable and exceeds the standard for satisfactory performance.

We evaluated the bank’s quarterly average net LTD ratio for the last 12 quarters, following the bank’s last CRA examination, through December 2011. During this period, the bank’s LTD ratio averaged 156 percent. We compared the bank’s average LTD ratio with that of peer banks that were similar in asset size and headquartered in areas having similar AA demographics. The combined average quarterly LTD ratio of peer banks was 90 percent over the same period. MB’s average LTD ratio well exceeds the peer average and reflects a strong level of lending.

### Lending in AA

MB granted a substantial majority of the number and dollar volume of sampled loans inside its AAs and exceeds the standard for satisfactory performance. MB granted 98 percent of the number of loans and 99 percent of the dollar volume within its delineated AAs.

The following table reflects the volume of the bank’s HMDA loan originations granted inside and outside its combined Los Angeles and Orange County AAs.

<b>Table 1 - Lending in Los Angeles and Orange Counties (Combined)</b>										
<b>Malaga Bank</b>										
<b>January 1, 2010 through December 31, 2011</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	211	98.14	4	1.86	215	183,988	98.92	2,000	1.08	185,988

Source: Data reported under HMDA from January 2010 through December 2011.

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

In the distribution analyses which follow, we compared the bank's loan distribution performance to the area demographics. For further context, we also compared MB's performance to the HMDA aggregate data (other financial institutions in the AA that also report HMDA loan data).

Also as noted earlier, a substantial majority of MB's loan originations during the evaluation period were HMDA-reportable loans. As such we did not sample commercial loans to evaluate lending to businesses of different sizes.

The distribution of MB's mortgage loans to borrowers of different income levels in each of the AAs reflects poor penetration and needs improvement as described below.

External factors help provide performance context. General economic conditions during the evaluation period in Los Angeles and Orange Counties, including high unemployment and a deteriorated housing market, provide context for the pattern of MB's HMDA lending patterns.

### Los Angeles AA

The overall distribution of MB's mortgage loans to borrowers of different income levels in the Los Angeles AA needs improvement. The following narrative describes MB's borrower distribution performance by product type in the Los Angeles AA.

#### Home Mortgage Refinance Lending

MB originated 43 home refinance loans totaling \$30.5 million in the Los Angeles County AA during the evaluation period. The bank made no refinance loans to LMI borrowers. Deteriorated economic conditions resulted in limited opportunities for mortgage products overall, and for mortgage refinancing in particular. Unemployment rates and deteriorated home values make it a challenge for banks to qualify LMI borrowers for home refinancing.

Similarly, peer HMDA aggregate data does not compare well to demographic data either. Peer home refinance loans originated to low-income borrowers was a mere 2.9 percent compared to the percent of low-income families of 23.9 percent in Los Angeles County (not much higher than MB performance). Peer home refinance loans originated to moderate-income families of 7.8 percent was also well below the percentage of moderate-income families of 16.5 percent in the AA. Peer results help support the economic context for MB's lending pattern in the AAs.

Home Purchase Lending

MB’s distribution of home purchase lending by income level of borrower in the Los Angeles County AA does not compare well with area demographics. MB originated 31 home purchase loans totaling \$20.0 million in Los Angeles County.

The bank made no home purchase loans to LMI borrowers during the evaluation period. As indicated earlier, deteriorated economic conditions resulted in limited opportunities for mortgage products overall. The adverse impact of recessionary factors, including high unemployment rates make it a challenge for banks to qualify LMI borrowers. Values of homes in Los Angeles County, while deteriorated during the evaluation period, remain high and unaffordable for many LMI borrowers.

Similarly, peer HMDA aggregate data also does not compare well to demographic data either. Peer home purchase loans originated to low-income borrowers was 2.9 percent compared to the percent of low-income families of 23.9 percent in Los Angeles County. Peer home purchase loans originated to moderate-income families of 13.4 percent compared more closely to, but was still less than, the percentage of moderate-income families of 16.5 percent in the AA. Peer results help support the economic context for MB’s lending pattern in the AAs.

Note: There is no “multifamily” income distribution analysis because borrowers are entities other than individuals or families. As such, income is not required to be reported for HMDA data purposes.

The tables that follow summarize the “Borrower Distribution” data for MB’s home refinance and home purchase loans originated during the evaluation period in its Los Angeles County AA.

<b>Distribution of Home Mortgage Refinance Loans By Borrower Income Level Los Angeles County AA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.0	2.9
Moderate	16.5	0.0	7.8
Middle	17.4	0.0	16.4
Upper	42.2	100.0	72.9

Source: All 43 home refinance loans MB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

<b>Distribution of Home Mortgage Purchase Loans By Borrower Income Level Los Angeles County AA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	23.9	0.0	2.9
Moderate	16.5	6.7	13.4
Middle	17.4	6.7	25.5
Upper	42.2	86.6	58.2

Source: All 31 home purchase loans MB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

### Orange County AA

The overall distribution of MB's mortgage loans to borrowers of different income levels in the Orange County AA needs improvement. The following narrative describes MB's borrower distribution performance by product type in the Orange County AA.

#### Home Mortgage Refinance Lending

MB originated 7 home refinance loans totaling \$4.7 million in the Orange County AA during the evaluation period. The bank made no refinance loans to LMI borrowers. As stated, deteriorated economic conditions resulted in limited opportunities for mortgage products overall, and for mortgage refinancing in particular. High unemployment rates and deteriorated home values make it a challenge for banks to qualify LMI borrowers for home refinancing.

Peer HMDA aggregate data also does not compare well to demographic data during the evaluation period. Peer home refinance loans originated to low-income borrowers was 4.7 percent compared to the percent of low-income families of 20.7 percent in Orange County, performance not significantly higher than MB. Peer home refinance loans originated to moderate-income families of 12.7 percent was also less than the percentage of moderate-income families of 18.0 percent in the AA.

#### Home Purchase Lending

MB's distribution of home purchase lending by income level of borrower in the Orange County AA does not compare well with area demographics. MB originated 11 home purchase loans totaling \$5.6 million in Orange County.

The bank made no home purchase loans to LMI borrowers during the evaluation period. As stated earlier, deteriorated economic conditions resulted in limited opportunities for mortgage products overall. The adverse impact of recessionary factors, including high unemployment rates, made it a challenge for banks to qualify LMI borrowers.

Similarly, peer HMDA aggregate data also does not compare well to demographic data. Peer home purchase loans originated to low-income borrowers was 4.1 percent compared to the percent of low-income families of 20.7 percent in Orange County. Peer home purchase loans originated to moderate-income families of 18.1 percent compared closely to the percentage of moderate-income families of 18.0 percent in the AA.

Note: There is no “multifamily” income distribution analysis because borrowers are entities other than individuals or families. As such, income is not required to be reported for HMDA data purposes.

The tables that follow summarize the “Borrower Distribution” data for MB’s home refinance and home purchase loans originated during the evaluation period in its Orange County AA.

<b>Distribution of Home Mortgage Refinance Loans By Borrower Income Level Orange County AA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	20.7	0.0	4.7
Moderate	18.0	0.0	12.7
Middle	20.7	0.0	24.4
Upper	40.6	100.0	58.2

Source: All 7 home refinance loans MB originated within its Orange County AA between January 1, 2010, and December 31, 2011.

<b>Distribution of Home Mortgage Purchase Loans By Borrower Income Level Orange County AA</b>			
<b>Borrower Income Level</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Families</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	20.7	0.0	4.1
Moderate	18.0	0.0	18.1
Middle	20.7	20.0	27.2
Upper	40.6	80.0	50.6

Source: All 11 home purchase loans MB originated within its Orange County AA between January 1, 2010, and December 31, 2011.

### **Geographic Distribution of Lending**

The overall geographic distribution of MB’s mortgage loans is reasonable. We are placing greater weight on the Bank’s performance in multifamily lending, which represents the most significant portion of its HMDA loan originations during the evaluation period.

## Los Angeles County AA Geographic Distribution

MB's geographic distribution of lending in its Los Angeles County AA is reasonable. We are placing greater weight on the bank's performance in multifamily lending, particularly multifamily lending in moderate-income census tracts, which represents the most significant portion of its HMDA loan originations during the evaluation period.

### Multifamily Lending

MB originated 108 loans totaling \$107.2 million in its Los Angeles County AA during the evaluation period.

MB originated 2.8 percent of multifamily loans in low-income census tracts. This is less than the demographic of 13.0 percent of multi-family units in the bank's Los Angeles County AA. The peer aggregate of 12.8 percent compares closely with the demographic. MB's performance indicates that it made at least some effort to lend in these areas.

MB originated 26.9 percent of multifamily loans in moderate-income census tracts. This compares reasonably with the demographic of 31.7 percent of multi-family units in the bank's Los Angeles County AA. The peer aggregate of 36.4 percent compares favorably to the demographic.

### Home Mortgage Refinance Lending

MB originated 43 home refinance loans totaling \$30.5 million in the Los Angeles County AA during the evaluation period.

MB granted no home refinance loans in low-income census tracts during the evaluation period. Context provides reasonable support. Low-income census tracts comprise only 1.9 percent of the total AA. In addition, the peer aggregate performance is very low at 0.8 percent. This pattern reflects the difficulty of all HMDA reporting financial institutions qualifying borrowers in low-income areas.

MB granted 2.4 percent of home refinance loans in moderate-income census tracts during the evaluation period. This performance does not compare favorably to the demographic of owner-occupied units of 15.5 percent in Los Angeles County. However, MB's performance indicates that it made at least some effort to lend in moderate-income geographies. The peer aggregate performance of 8.1 percent of home refinance loans in moderate-income census tracts compares more favorably than MB's ratio. However, peer performance still does not compare closely with the demographic. This pattern reflects the difficulty of all HMDA reporting financial institutions qualifying borrowers in moderate-income areas.

Home Purchase Lending

MB originated 31 home purchase loans totaling \$21 million in its Los Angeles County AA during the evaluation period.

The bank made no home purchase loans in low-income census tracts during the evaluation period. As indicated previously, deteriorated economic conditions resulted in limited opportunities for mortgage products overall. As well, low-income census tracts comprise only 1.9 percent of the AA. As further context, peer aggregate performance is not much stronger than MB. Peer aggregate performance is low at 3.3 percent.

MB made 6.5 percent of home purchase loans in moderate-income census tracts. This is less than the demographic of 15.5 percent of owner-occupied units in the bank’s Los Angeles County area. The peer aggregate of 17.3 percent compares well with the demographic. MB’s performance indicates that it made at least some effort to lend in these areas.

The tables that follow summarize the “Geographic Distribution” data for MB’s HMDA lending by product type during the evaluation period in its Los Angeles County AA.

<b>Geographic Distribution of Multifamily Residential Loans Los Angeles County AA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010 %</b>
	<b>% of Multifamily Units</b>	<b>% Number of Bank Loans</b>	
Low	13.0	2.8	12.8
Moderate	31.7	26.9	36.4
Middle	28.3	31.4	27.3
Upper	27.0	38.9	23.5

Source: All 108 multifamily residential real estate loans MB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

<b>Geographic Distribution of Home Mortgage Refinance Loans Los Angeles County AA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010 %</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	
Low	1.9	0.0	0.8
Moderate	15.5	2.4	8.1
Middle	31.3	20.9	24.4
Upper	51.3	76.7	66.7

Source: All 43 home refinance loans MB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

<b>Geographic Distribution of Home Purchase Loans Los Angeles County AA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.9	0.0	3.3
Moderate	15.5	6.5	17.3
Middle	31.3	9.7	32.7
Upper	51.3	83.8	46.7

Source: All 31 home purchase loans MB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

### Orange County AA Geographic Distribution

MB's geographic distribution of lending in its Orange County AA is reasonable. We are placing greater weight on the Bank's performance in multifamily lending in the Los Angeles County AA, which represents the most significant portion of its HMDA loan originations during the evaluation period.

#### Multifamily Lending

MB originated 11 loans totaling \$14.9 million in its Orange County AA during the evaluation period.

MB originated no multifamily loans in low-income census tracts in this AA. This does not compare well with the demographic of 6.3 percent multi-family units in the bank's Orange County AA. The peer aggregate of 11.1 percent compares well with the demographic.

MB originated 45.5 percent of multifamily loans in moderate-income census tracts. This compares favorably with the demographic of 41.0 percent of owner-occupied units in this AA. The peer aggregate of 52.4 percent also compares well with the AA demographic.

#### Home Mortgage Refinance Lending

MB originated 7 home refinance loans totaling \$4.7 million in the Orange County AA during the evaluation period.

MB granted no home refinance loans in low-income census tracts during the evaluation period. Context provides reasonable support. Low-income census tracts comprise only 1.2 percent of the total AA. In addition, the peer aggregate performance is very low at 0.4 percent. This pattern reflects the difficulty of all HMDA reporting financial institutions qualifying borrowers in low-income areas.

MB originated 14.3 percent of home refinance loans in moderate-income census tracts. This compares reasonably with the area demographic of 19.5 percent of owner-occupied units in its Orange County AA. MB's performance exceeded the peer aggregate percentage of home refinance lending in moderate-income census tracts of 11.5 percent.

Home Purchase Lending

MB originated 11 home purchase loans totaling \$5.6 million in its Orange County AA during the evaluation period.

The bank made no home purchase loans in low-income census tracts during the evaluation period. As stated earlier, deteriorated economic conditions resulted in limited opportunities for mortgage products overall. As well, low-income census tracts comprise only 1.2 percent of the AA. Peer aggregate performance in low-income census tracts is comparable to the demographic at 1.0 percent.

MB made 18.2 percent of home purchase loans in moderate-income census tracts. This compares reasonably with the demographic of 19.5 percent of owner-occupied units in the bank's Orange County AA. The peer aggregate of 20.4 percent is comparable with the demographic. MB's performance indicates that it made reasonable efforts to lend in these areas.

The tables that follow summarize the "Geographic Distribution" data for MB's HMDA lending by product type during the evaluation period in its Orange County AA.

<b>Geographic Distribution of Multifamily Residential Loans Orange County AA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Multifamily Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	6.3	0.0	11.1
Moderate	41.0	45.5	52.4
Middle	33.6	18.1	25.8
Upper	19.1	36.4	10.7

Source: All 11 multifamily residential real estate loans MB originated within its Orange County AA between January 1, 2010, and December 31, 2011.

<b>Geographic Distribution of Home Mortgage Refinance Loans Orange County AA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.2	0.0	0.4
Moderate	19.5	14.3	11.5
Middle	33.6	14.3	29.8
Upper	45.7	71.4	58.3

Source: All 7 home refinance loans MB originated within its Orange County AA between January 1, 2010, and December 31, 2011.

<b>Geographic Distribution of Home Purchase Loans Orange County AA</b>			
<b>Census Tract Designation</b>	<b>Review Period 2010-2011</b>		<b>Peer Aggregate 2010</b>
	<b>% of Owner Occupied Units</b>	<b>% Number of Bank Loans</b>	<b>%</b>
Low	1.2	0.0	1.0
Moderate	19.5	18.2	20.4
Middle	33.6	27.3	31.9
Upper	45.7	54.5	46.7

Source: All 11 home purchase loans MB originated within its Orange County AA between January 1, 2010, and December 31, 2011.

## **CD Test**

MB provided an adequate level of CD activities, and we consider performance to be satisfactory. Since the bank's last CRA examination, MB demonstrated adequate responsiveness to CD needs in each of its AAs.

MB made nine CD loans totaling \$9,089,500 in its Los Angeles AA, and granted five CD loans in the Orange County AA totaling \$5,200,000. All of these loans qualify as affordable housing CD loans, an identified and significant need within each of the bank's AAs.

The bank made qualifying CD investments of \$679,000 in various minority-owned institutions. MB also made qualified CD donations of \$4,745 to various organizations that provide services to LMI persons. These organizations help empower LMI persons (especially the homeless) to achieve self-sufficiency. They provide education in life skills, including job training and job placement services.

In addition, MB employees contributed 52 hours of qualified CD services to a variety of nonprofit organizations that provide a broad range of economic development activities and community services for LMI residents in the AAs.

## **Responses to Complaints**

The bank has not received any complaints associated with its CRA performance.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 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 assessment area 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.