

PUBLIC DISCLOSURE

February 6, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pacific Global Bank
RSSD# 2360904

2323 S. Wentworth
Chicago, IL 60616

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING:

This bank is rated Satisfactory.

Pacific Global Bank's performance in meeting the needs of its community is satisfactory, considering the bank's size, location, financial condition, and current assessment area economic conditions. The average loan-to-deposit ratio is reasonable. The majority of loans are in the assessment area. The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's lending activity reflects excellent penetration among individuals of different income levels. Neither the bank nor this Reserve Bank received any complaints regarding the institution's CRA performance.

SCOPE OF EXAMINATION

Pacific Global Bank's CRA performance was evaluated in the designated assessment area (Chicago-Joliet-Naperville MD #16974) using the small bank examination procedures. The evaluation was performed in the context of information about the bank and its assessment area, such as asset size, financial condition, competition and the combined record of the aggregate of lenders in the assessment area, and economic and demographic characteristics.

The lending analysis was based primarily on purchase money and refinanced home loans as reported under the Home Mortgage Disclosure Act (HMDA). This category of lending includes loans for home purchase, refinance and home improvement as well as multi-family loans. Though included in the overall totals for HMDA-reportable loans, home improvement and multifamily loans were not separately analyzed in the geographic or borrower distribution tests due to the low volume of loans compared to other HMDA-reportable loan types.

Performance within the designated assessment area was evaluated using the following performance standards:

- ***Loan-to-Deposit Ratio*** – A 19-quarter average loan-to-deposit ratio was calculated from December 31, 2006 to September 30, 2011, and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's purchase money and refinanced home loans originated from January 1, 2008 to December 31, 2010 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's purchase money and refinanced home loans originated from January 1, 2008 to December 31, 2010 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.

- *Lending to Borrowers of Different Incomes* – The bank’s purchase money and refinanced home loans originated within the assessment area, from January 1, 2008 to December 31, 2010 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income.
- *Response to Substantiated Complaints* – Neither Pacific Global Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

The CRA performance standards were weighted placing more emphasis on the loan-to-deposit ratio and lending in the assessment area concentration standards than on the geographic distribution of lending in the assessment area and lending to borrowers of different incomes standards. The weighting of the standards was determined when taking into context the bank’s lending strategy and financial condition.

DESCRIPTION OF BANK

Pacific Global Bank (bank), with assets of \$152.8 million as of December 31, 2011, is a subsidiary of PGB Holdings, Inc., a one-bank holding company located in Chicago, Illinois. The bank is a minority-owned, certified Community Development Financial Institution (CDFI). The bank has been certified with the CDFI designation since 2004. The United States Department of Treasury grants the CDFI designation to organizations that meet, among other requirements, a primary mission of promoting community development. As the result of various CDFI efforts, the bank has received Bank Enterprise Awards from the Department of Treasury. The Bank Enterprise Award Program was created in 1994 to support FDIC-insured financial institutions around the country that are dedicated to financing and supporting community and economic development activities. Additionally, the bank has received other awards for its continued support in the low- and moderate-income communities within its assessment area, as defined below.

The bank operates three branches, including the main office. The main office is located in Chicago, Illinois in Chinatown, which is approximately three miles south of downtown Chicago. Two full-service branch offices are also located in Chicago, one in Chinatown and one in southwest Chicago. All offices are located in the Chicago-Joliet-Naperville, IL Metropolitan Division (MD#16974). No branches have been opened or closed since the previous CRA evaluation dated November 13, 2006.

The bank offers a full range of traditional deposit and loan products and services to meet the banking needs of consumers, businesses, and other entities operating in its assessment area. Deposit products include checking, savings, negotiable order of withdrawal, money market, and certificates of deposit. Loan products include secured and unsecured consumer loans and lines of credit, home equity loans and lines of credit, construction loans, residential real estate loans, commercial loans and lines of credit, and loans secured by commercial real estate. Further,

services include telephone banking, online banking through its website www.pacificglobalbank.com, and expanded ATM access throughout the assessment area.

The bank is primarily a residential real estate lender. According to the September 30, 2011 Uniform Bank Performance Report, real estate loans comprise 99.5 percent of the bank's loan portfolio by dollar amount. The primary concentrations of real estate loans are 1-4 family and multi-family residential (71.9 percent) and non-farm, non-residential (22.5 percent). The following table provides a detailed breakdown of the bank's portfolio:

| Composition of Loan Portfolio as of 9/30/11 (000's) | | | |
|--|--|----------------|--------------|
| Category | Type | \$ | % |
| Real Estate Secured | Construction, Land Development, and Other Land Loans | 6,663 | 5.1 |
| | 1-4 Family and Multi-Family Residential | 93,413 | 71.9 |
| | Non-farm, Non-residential | 29,217 | 22.5 |
| | Total Real Estate Secured | 129,293 | 99.5 |
| Commercial | Commercial and Industrial | 561 | 0.4 |
| Consumer | Loans to Individuals | 58 | 0.1 |
| Other | Other | 33 | 0.0 |
| | Total | 129,945 | 100.0 |

According to the June 30, 2011 FDIC Deposit Market Share Report, the bank held 0.07 percent of the deposits in the Chicago-Joliet-Naperville MD #16974, and ranked 93rd among 153 FDIC-insured institutions operating in the market. The top two institutions hold at least 35.0 percent of deposits and operate 343 branch offices in the market.

The bank is under a Written Agreement with this Reserve Bank as of June 30, 2011, and has impacted its lending capacity.

The bank was rated Outstanding under the CRA at its previous evaluation conducted on November 13, 2006.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Chicago-Joliet-Naperville MD 16974*

The bank's assessment area consists of 9 low-income, 33 moderate-income, and 6 middle-income census tracts. The main office is located in a low-income census tract, the Chinatown branch is located in a moderate-income census tract, and the Bridgeport branch is located in a middle-income census tract. The assessment area contains portions of Brighton Park and the New City Neighborhood, and all of Armour Square, Bridgeport, and McKinley Park.

The bank's assessment area has not changed since the previous evaluation. Further, the assessment area demographics are presented in the geographic and borrower distribution tables.

| Assessment Area Demographics 2010 | | | | | | | | |
|--------------------------------------|--|--------------|---|--------------|--|--------------|-----------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low-income | 9 | 18.8 | 4,337 | 15.6 | 1,287 | 29.7 | 10,831 | 38.9 |
| Moderate-income | 33 | 68.8 | 21,404 | 77.0 | 3,292 | 15.4 | 6,391 | 23.0 |
| Middle-income | 6 | 12.5 | 2,073 | 7.5 | 142 | 6.8 | 5,350 | 19.2 |
| Upper-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 5,242 | 18.8 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 48 | 100.0 | 27,814 | 100.0 | 4,721 | 17.0 | 27,814 | 100.0 |
| | Total Housing Units by Tract | | Housing Types by Tract | | | | | |
| | | | Owner-occupied | | Rental | | Vacant | |
| | # | % | # | % | # | % | # | % |
| Low-income | 6,478 | 15.0 | 1,642 | 25.3 | 4,270 | 65.9 | 566 | 8.7 |
| Moderate-income | 33,284 | 77.0 | 14,017 | 42.1 | 16,413 | 49.3 | 2,854 | 8.6 |
| Middle-income | 3,461 | 8.0 | 1,654 | 47.8 | 1,458 | 42.1 | 349 | 10.1 |
| Upper-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 43,223 | 100.0 | 17,313 | 40.1 | 22,141 | 51.2 | 3,769 | 8.7 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | # | % | # | % | # | % | # | % |
| Low-income | 623 | 21.9 | 485 | 20.7 | 66 | 26.7 | 72 | 29.1 |
| Moderate-income | 1,967 | 69.3 | 1,667 | 71.1 | 146 | 59.1 | 154 | 62.3 |
| Middle-income | 250 | 8.8 | 194 | 8.3 | 35 | 14.2 | 21 | 8.5 |
| Upper-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 2,840 | 100.0 | 2,346 | 100.0 | 247 | 100.0 | 247 | 100.0 |
| | Percentage of Total Businesses: | | | 82.6 | | 8.7 | | 8.7 |

Note: Percentages may not total to 100.0 percent due to rounding.

Population Changes

Population of the assessment area is 121,629 according to 2000 U.S. Census Bureau data. Population for the state of Illinois has remained relatively stable based on July 1, 2010 population estimates, while the population in Cook County declined slightly since the 2000 Census. As stated by one of the community representatives, the high unemployment rates in Cook County likely contributed to the population loss as residents sought job opportunities outside of the County.

The following table presents population data for the assessment area, Cook County, Chicago-Joliet-Naperville, IL Metropolitan Division, and the state of Illinois.

| Population Change 2000 Census vs. July 1, 2010 | | | |
|---|--------------------|----------------------------------|------------------------------|
| Area | 2000 Census | July 1,2010 Estimates | Percentage Change |
| Assessment Area | 121,629 | N/A | N/A |
| Cook County | 5,376,741 | 5,194,675 | -3.4 |
| Chicago-Joliet-Naperville, IL Metropolitan Division - MD#16974 | 9,098,316 | 9,461,105 | 4.0 |
| State of Illinois | 12,419,293 | 12,830,632 | 3.3 |
| <i>Source: 2000 – U.S. Census Bureau: Decennial Census 2010 – U.S. Census Bureau: Annual Population Estimates</i> | | | |

Income Characteristics

The following table compares the median family incomes of the assessment area to that of the state of Illinois.

| Median Family Income Change 2000 Census vs. Year 2010 Estimates | | | |
|--|--------------------|----------------------|--------------------------|
| Area | 2000 Census | 2010 Estimate | Percentage Change |
| Assessment Area | 38,189 | N/A | N/A |
| Cook County | 53,784 | 65,039 | 20.9 |
| Chicago-Joliet-Naperville, IL Metropolitan Division - MD#16974 | 60,166 | 73,039 | 21.4 |
| State of Illinois | 55,545 | 68,236 | 22.8 |
| <i>Source: 2000 – U.S. Census Bureau; Decennial Census 2010 – U.S. Census Bureau; Decennial Census</i> | | | |

As of 2010, the estimated median family income (MFI) in Cook County and the Chicago-Joliet-Naperville, IL Metropolitan Division were \$65,039 and \$73,039, respectively, compared to \$68,236 for the state of Illinois. The overall median family income increased significantly since the 2000 Census. Cook County (21.4 percent) and the state of Illinois (22.8 percent) experienced a slightly higher percentage change than the Chicago-Joliet-Naperville, IL Metropolitan Division (20.9 percent).

The bankruptcy rate for Cook County has increased since 2006. Cook County has a higher bankruptcy rate compared to other counties in the state of Illinois. Cook County ranked 7th of 102 counties in Illinois with a bankruptcy filing rate of 7.4 per 1,000 people, compared to 6.2 per 1,000 filing rate for the state of Illinois.

Housing Characteristics

The median housing value for the assessment area is \$128,890 based on 2000 Census Bureau data, which is lower than Cook County and the state of Illinois. However, the affordability ratio, which is a measurement of relative housing affordability across a geographic area, shows that housing is less affordable in the assessment area compared to the state of Illinois, Cook County, and the Chicago-Joliet-Naperville, IL Metropolitan Division.

The 2011 Fair Market Rent (FMR) is established by HUD and is the level that HUD will subsidize in a given area to provide affordable housing for low-income households. There is a significant presence of occupied rental housing in the assessment area (refer above to the Assessment Area Demographics matrix on page 5). Approximately 51.2 percent of housing in the assessment are rental units, while 40.1 percent of housing are owner-occupied units. The majority of owner-occupied housing units are located in low- and moderate-income census tracts. Further, the FMRs for Cook County, Chicago-Naperville-Joliet Metropolitan Division, and the state of Illinois are identical. The identical FMRs are attributed to being located in the Chicago-Naperville-Joliet, IL HUD Metro FMR Area.

| Trends in Housing Costs 2000 and 2011 | | | | |
|---|----------------------|-------------------|-------------------------------|----------------------|
| Location | Median Housing Value | Median Gross Rent | Fair Market Rent (FY 2011) ** | Affordability Ratio* |
| Assessment Area | 128,890 | 516 | N/A | 0.26 |
| Cook County | 154,300 | 648 | 1,016 | 0.30 |
| Chicago-Joliet-Naperville, IL Metropolitan Division – MD #16974 | 159,773 | 665 | 1,016 | 0.32 |
| State of Illinois | 127,800 | 605 | 1,016 | 0.36 |
| <i>2000 U.S. Census Bureau: Decennial Census</i> | | | | |
| <i>*Based on 2000 Census Bureau</i> | | | | |
| <i>**Department of Housing and Urban Development, Two-Bedroom</i> | | | | |

The challenging U.S. economic conditions over the review period have impacted city of Chicago and its housing market; thus, resulting in a significant number of home mortgage foreclosures and lack of new home construction permits. From 2009 to 2011, the city of Chicago experienced 55, 870 home mortgage foreclosure filings with 2010 being at the peak with 23,364 filings. In 2011, there was a decline in the filings with 9,821; however, this number is still considerably high. Further, from 2008 to 2009, new housing permits declined in Cook County and the state of Illinois. Total housing permits in Cook County decreased from 8,744 in 2008 to 2,026 in 2009 or 76.8 percent decline. This decrease in new housing permits was higher than both the state of Illinois and the United States. To that end, with the number of foreclosures and lack of new housing permits, this is putting pressure on the supply and demand in the housing market within the assessment area.

Employment Conditions

The top leading industries operating in Cook County consists of education, government, retail and health care services. The following table illustrates some of the largest employers in Cook County.

| Largest Employers in the Assessment Area | | |
|--|------------|---------------------------|
| Company | # Employed | Industry |
| Chicago Public Schools | 40,883 | Education |
| City of Chicago | 35,237 | Government |
| State of Illinois | 25,700 | Government |
| Cook County | 23,083 | Government |
| Wal-Mart Stores, Inc. | 21,329 | Retail |
| Advocate Health Care | 14,873 | Health Care |
| J.P. Morgan Chase & Co | 13,639 | Financial Services |
| Walgreens Co. | 13,122 | Pharmaceutical/Drugstores |
| United Continental Holdings, Inc. | 13,000 | Airlines |
| <i>Source: Crain's Chicago Business Book of Lists 2011, # employed as of December 31, 2010</i> | | |

The overall unemployment rate for Cook County has been slightly higher than the national average; however, it remained relatively comparable to the state of Illinois and Chicago-Joliet-Naperville, IL Metropolitan Division in 2009 and 2010. The current unemployment rate in Cook County, 10.8 percent, exhibits a slight increase in 2011 from the previous year and is higher than the United States, state of Illinois, and the Chicago-Joliet-Naperville, IL Metropolitan Division.

| Unemployment Statistics, not seasonally adjusted | | | | |
|---|-------|------|------|------|
| Region | 2011* | 2010 | 2009 | 2008 |
| United States | 9.1 | 9.6 | 9.3 | 5.8 |
| State of Illinois | 9.8 | 10.3 | 10.0 | 6.4 |
| Cook County | 10.8 | 10.5 | 10.3 | 6.5 |
| Chicago-Joliet-Naperville, IL Metropolitan Division – MD #16974 | 9.8 | 10.2 | 10.0 | 6.2 |
| <i>Source: United States Department of Labor – Bureau of Labor Statistics</i> | | | | |
| <i>*Third Quarter 2011</i> | | | | |

Two community representatives were contacted in connection with this evaluation. In general, the contacts indicated that local financial institutions are actively involved in the community and are helping meet the credit needs of the area. One community representative indicated that over the past three years, unemployment rate has increased due to the economic recession. Additional contributing factors are language and skills gaps present in the area, which have negatively affected the unemployment rate.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Pacific Global Bank's performance relative to the lending test is Satisfactory based on a reasonable loan-to-deposit ratio; a majority of loans and lending-related activities in the assessment area; an excellent dispersion of loans among geographies of different income levels; and an excellent penetration among borrowers of different income levels.

Loan-to-Deposit Ratio

Pacific Global Bank's loan-to-deposit ratio is reasonable given its lending strategy, financial condition, size, and assessment area credit needs. The average ratio of 98.8 percent, for the 19 quarters since the previous evaluation, indicates the bank is actively reinvesting deposits into the community through the origination of loans. The overall assessment of the bank's LTD ratio was influenced by the impact of the bank's lending strategy and resulting financial condition of the bank.

The following table presents the average loan-to-deposit ratio for the bank in comparison to its national peer group and a sample of local competitors with similar size and complexity.

| Comparative Loan-to-Deposit Ratios | |
|---|---|
| Institution | Loan-to-Deposit Ratio (%) 19 Quarter Average |
| Pacific Global Bank – Chicago, IL | 98.8 |
| National Peer Group | 81.5 |
| FDIC Insured Competitors | |
| International Bank of Chicago – Chicago, IL | 72.9 |
| South Central Bank NA - Chicago, IL | 80.7 |
| Lakeside Bank - Chicago, IL | 104.1 |
| American Metro Bank - Chicago, IL | 90.8 |

Assessment Area Concentration

A majority of the bank’s HMDA-reportable loans were originated within its assessment area. Overall, 68.6 percent by number, and 64.4 percent by dollar volume of total HMDA reportable loans were originated in the assessment area. In comparison, the lending inside the assessment area was also consistent from the previous Public Evaluation. However, the bank’s outside lending in 2008 peaked at 41.8 percent, which was a result of the aggressive lending strategy to expand and recover from the challenging economic conditions.

The following table summarizes the bank’s lending inside and outside its assessment area by product.

| Lending Inside and Outside the Assessment Area | | | | | | | | |
|--|------------|-------------|-----------------|-------------|-----------|-------------|-----------------|-------------|
| Loan Type | Inside | | | | Outside | | | |
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Home Purchase- Conventional | 166 | 71.9 | \$24,139 | 67.6 | 65 | 28.1 | \$11,562 | 32.4 |
| Refinancing | 36 | 60.0 | \$7,534 | 56.1 | 24 | 40.0 | \$5,901 | 43.9 |
| Total HMDA-Reportable Loans | 212 | 68.6 | \$33,564 | 64.4 | 97 | 31.4 | \$18,573 | 35.6 |
| Total Loans | 212 | 68.6 | \$33,564 | 64.4 | 97 | 31.4 | \$18,573 | 35.6 |

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The 2010 purchase money and refinanced home loans originated in low- and moderate-income census tracts in the bank’s assessment area were 95.9 percent by number and 94.4 percent by dollar volume. Aggregate lending data shows that 83.5 percent (by number) and 80.3 percent (by dollar) of HMDA-related loans were originated in low- and moderate- income census tracts. Owner-occupied housing in low- and moderate-income census tracts represents 90.5 percent of the assessment area. Lending activity in 2008 and 2009 demonstrated a similar performance, with a high lending concentration in the low- and moderate-income geographies, and compared favorably to the aggregate lending.

| Home Mortgage Lending, 2010 Geographic Distribution (000's) | | | | | | | |
|---|------------|--------------|--------------|--------------|-----------------------------|--------------|---------------------------|
| Census Tract Income Level | Bank Loans | | | | Aggregate of All Lenders | | Owner-Occupied Housing |
| | # | % | \$ | % | # % | \$ % | % |
| Home Purchase Loans | | | | | | | |
| Low | 6 | 14.0 | 926 | 16.7 | 10.6 | 10.0 | 9.5 |
| Moderate | 35 | 81.3 | 4,273 | 76.9 | 80.8 | 78.7 | 81.0 |
| Middle | 2 | 4.7 | 360 | 6.5 | 8.6 | 11.3 | 9.5 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 43 | 100.0 | 5,559 | 100.0 | 100.0 | 100.0 | 100.0 |
| Refinanced Loans | | | | | | | |
| Low | 2 | 33.3 | 230 | 24.8 | 6.9 | 5.8 | 9.5 |
| Moderate | 4 | 66.7 | 696 | 75.2 | 73.5 | 71.6 | 81.0 |
| Middle | 0 | 0.0 | 0 | 0.0 | 19.6 | 22.6 | 9.5 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 6 | 100.0 | 926 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 8 | 16.3 | 1,156 | 17.8 | 8.2 | 7.2 | 9.5 |
| Moderate | 39 | 79.6 | 4,969 | 76.6 | 75.3 | 73.1 | 81.0 |
| Middle | 2 | 4.1 | 360 | 5.6 | 16.5 | 19.7 | 9.5 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 49 | 100.0 | 6,485 | 100.0 | 100.0 | 100.0 | 100.0 |

Lending to Borrowers of Different Income Levels

The bank's purchase money and refinanced home lending reflects an excellent penetration among individuals of different incomes, including low- and moderate-income in the assessment area. The following table illustrates the purchase money and refinanced home lending by income level of the borrower in 2010. As shown, 33 of 49 reportable loans (67.4 percent) were originated to low- or moderate-income borrowers within its assessment area. The bank's lending performance exceeds aggregate lending of 42.2 percent, as well as the percentage of low- and moderate-income families, 62.0 percent, who reside within the assessment area. While, the bank's total volume of the loans is considerably lower than the aggregate lenders, the bank is exceedingly meeting the credit needs within its assessment area considering the high competition for such loans in the market area.

In 2008 and 2009, lending to low- and moderate-income individuals was slightly lower than the performance in 2010; however, it exceeded aggregate lending. In 2008, 38.0 percent of loans were originated to low- or moderate-income borrowers, while the aggregate lending data presented 34.4 percent of lending. In 2009, the bank originated 58.7 percent of its loans to low- or moderate-income borrowers, while aggregate lending represented 39.8 percent penetration of low- or moderate-income borrowers. Despite the economic challenges during the review period, Pacific Global Bank demonstrated an increasing trend of lending to low- and moderate-income individuals.

| Home Mortgage Lending, 2010 Borrower Distribution (000's) | | | | | | | |
|---|------------|--------------|--------------|--------------|-----------------------------|--------------|------------------------------------|
| Income Level of the Borrower | Bank Loans | | | | Aggregate of All Lenders | | Families by Family Income Level |
| | # | % | \$ | % | # % | \$ % | % |
| Home Purchase Loans | | | | | | | |
| Low | 16 | 37.2 | 1,449 | 26.1 | 21.7 | 12.9 | 38.9 |
| Moderate | 14 | 32.6 | 1,716 | 30.9 | 29.4 | 25.0 | 23.1 |
| Middle | 10 | 23.2 | 1,681 | 30.2 | 24.6 | 27.5 | 19.2 |
| Upper | 3 | 7.0 | 713 | 12.8 | 16.2 | 25.5 | 18.8 |
| Total | 43 | 100.0 | 5,559 | 100.0 | 100.0 | 100.0 | 100.0 |
| Refinanced Loans | | | | | | | |
| Low | 1 | 16.7 | 276 | 29.8 | 18.8 | 12.4 | 38.9 |
| Moderate | 2 | 33.3 | 230 | 24.8 | 20.1 | 16.4 | 23.1 |
| Middle | 2 | 33.3 | 330 | 35.6 | 21.6 | 22.7 | 19.2 |
| Upper | 1 | 16.7 | 90 | 9.8 | 28.3 | 35.5 | 18.8 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 11.2 | 13.0 | 0.0 |
| Total | 6 | 100.0 | 926 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 17 | 34.7 | 1,725 | 26.6 | 19.5 | 12.5 | 38.9 |
| Moderate | 16 | 32.7 | 1,946 | 30.0 | 22.7 | 18.5 | 23.1 |
| Middle | 12 | 24.5 | 2,011 | 31.0 | 22.2 | 23.7 | 19.2 |
| Upper | 4 | 8.2 | 803 | 12.4 | 24.7 | 32.6 | 18.8 |
| Total | 49 | 100.0 | 6,485 | 0.0 | 100.0 | 100.0 | 100.0 |

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

CRA APPENDIX

GLOSSARY

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions 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. They 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.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include 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 refinancing 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.

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 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 lenders in the MSA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: 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. A metropolitan statistical area that crosses into two or more

bordering states is called a multistate metropolitan statistical area (**MMSA**). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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 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 geography.

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

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.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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