

PUBLIC DISCLOSURE

September 25, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Coastal Community Bank
RSSD # 2562164**

**5415 Evergreen Way
Everett, Washington 98203**

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
Institution's Community Reinvestment Act (CRA) Rating.....	1
INSTITUTION	2
Description of Institution	2
Description of Assessment Area	3
Scope of Examination	3
LENDING TEST.....	3
COMMUNITY DEVELOPMENT TEST	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	5
Lending Test	5
LOAN-TO-DEPOSIT RATIO	5
LENDING IN ASSESSMENT AREA	5
GEOGRAPHIC AND BORROWER DISTRIBUTION.....	6
RESPONSE TO COMPLAINTS.....	6
Community Development Test	6
Fair Lending or Other Illegal Practices Review.....	7
FULL-SCOPE ASSESSMENT AREA CONCLUSIONS	8
Snohomish County	8
DESCRIPTION OF OPERATIONS IN SNOHOMISH COUNTY	8
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SNOHOMISH COUNTY.....	17
LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS	20
APPENDICES	
Appendix A: Glossary of Terms	
Appendix B: Limited-Scope Assessment Area Market Profiles	

INSTITUTION RATING

Institution's Community Reinvestment Act (CRA) Rating

Coastal Community Bank is rated "SATISFACTORY"

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

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

The major factors supporting the institution's rating include:

- A reasonable loan to deposit ratio;
- A majority of all loans originated within the bank's assessment areas;
- An excellent geographic distribution of small business loans;
- A reasonable distribution of loans to businesses of different sizes; and
- An excellent level of community development activities that supported affordable housing among other area needs.

INSTITUTION

Description of Institution

Coastal Community Bank (CCB), headquartered in Everett, Washington, reported total assets of \$737.9 million as of June 30, 2017. The bank, which commenced operations on April 1, 1997, is a wholly-owned subsidiary of Coastal Financial Corporation, a shell bank holding company. CCB operates 12 full-service branches in the State of Washington, including ten branches in Snohomish County and two branches in Island County. CCB opened two branches since the previous CRA examination, one in the city of Evergreen in January 2015, and the other in the city of Marysville in August 2015. Additionally, CCB operates one off-site automated teller machine (ATM) in Snohomish County in the city of Gold Bar.

CCB primarily focuses on providing commercial banking products and services to small- to medium-sized businesses and professionals. Commercial loans offered include business term loans and revolving lines of credit, working capital loans, commercial real estate, and Small Business Administration (SBA) 504 and 7(a) loans. CCB originates consumer loans primarily to accommodate the personal needs of its business clientele. Consumer loans include home equity loans and lines of credit, home construction loans, and personal lines of credit. Consumer deposit products offered by the bank include personal checking, savings, money market, certificates of deposit, and individual retirement accounts.

Exhibit 1 below represents CCB's loan portfolio composition as stated in the December 31, 2016 Consolidated Reports of Condition and Income, which illustrates the bank's commercial lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2016		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	417,230	69.9
Secured by 1-4 Family Residential Real Estate	77,361	13.0
Construction & Land Development	55,565	9.3
Multi-Family Residential Real Estate	36,505	6.1
All Other	5,121	0.9
Farm Land & Agriculture	3,708	0.6
Consumer Loans & Credit Cards	1,157	0.2
Total (Gross)	596,647	100.0

CCB did not face any legal or financial impediments during the review period that would have prevented it from helping to meet the credit needs of its assessment area consistent with its business strategy, financial capacity, size, and local economic conditions. The bank received a satisfactory rating at its previous CRA examination, which was conducted as of September 16, 2013, by the Federal Reserve Bank of San Francisco using the *Interagency Intermediate Small Institution CRA Examination Procedures*.

Description of Assessment Area

CCB's two assessment areas remain unchanged since the previous examination, and consist of the following areas:

- Snohomish County in its entirety, which is part of the Seattle-Bellevue-Everett, Washington Metropolitan Division (MD); and
- Island County in its entirety; this area is not part of a Metropolitan Statistical Area (MSA).

The bank's primary market is Snohomish County, which is home to CCB's headquarters and ten of its twelve branch offices. The Island County assessment area consists of Camano Island and Whidbey Island and contains one branch office on each island. Camano Island is closely linked to Snohomish County. Camano Island shares a postal zip code, a school district, and public utilities with the City of Stanwood, which is located in the northwest portion of Snohomish County.

Scope of Examination

CCB's performance was evaluated using the *Interagency Intermediate Small Institution CRA Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. The Snohomish assessment area received a full-scope review based on CCB's larger presence and level of lending and deposit activity within that market. The Island assessment area received a limited-scope review given CCB's limited presence, deposit, and lending activity within that market.

LENDING TEST

The lending test evaluation was based on the following criteria:

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

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

The evaluation was based on Home Mortgage Disclosure Act (HMDA) reportable home mortgages originated or purchased from July 1, 2013 through December 31, 2016, and small business loans originated or renewed from July 1, 2016 through December 31, 2016. All loans originated, purchased or renewed were considered in the evaluation of *Lending in Assessment Area*. From that total, the evaluations of *Lending Distribution by Geography* and *Lending Distribution by Business Revenue* were based on a sample of 72 small business loans extended within the bank's assessment areas out of 82 small business loans made during the six-month review period. There were insufficient volumes of home purchase, home improvement, and home refinance loans in the bank's assessment areas to perform meaningful analysis under these criteria.

COMMUNITY DEVELOPMENT TEST

The community development test included an evaluation of CCB's level of community development activities in relation to local needs and opportunities as well as the bank's capacity to participate in such activities. The evaluation was based on qualified community development loans, investments, donations, and services from September 16, 2013 through September 25, 2017.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

CCB's overall performance under the lending test is satisfactory. Lending levels relative to deposits are reasonable and a majority of all loans were extended within the bank's assessment areas. Lending among businesses of different revenue sizes is also reasonable. In addition, the dispersion of small business loans reflects an excellent penetration in geographies of all income levels including low- and moderate-income areas.

LOAN-TO-DEPOSIT RATIO

CCB's loan-to-deposit ratio is reasonable. Since the previous CRA examination, the average loan-to-deposit ratio is 90.8 percent. This reasonably compares with the state average and national peer loan-to-deposit ratios of 80.0 percent and 79.1 percent, respectively.

LENDING IN ASSESSMENT AREA

A majority of the bank's lending was extended within CCB's assessment areas. As shown in Exhibit 2 below, a substantial majority of small business loans evaluated were extended within the bank's assessment areas. Slightly less than a majority of HMDA related loans were extended within the assessment areas. Small business loans were weighted more heavily than HMDA loans given CCB's strategic focus on commercial lending, and the nominal HMDA lending volumes.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS ¹								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	72	87.8	22,421	90.0	10	12.2	2,499	10.0
Total Business Related	72	87.8	22,421	90.0	10	12.2	2,499	10.0
Home Purchase	45	42.5	14,638	33.3	61	57.5	29,370	66.7
Home Improvement	10	66.7	793	50.2	5	33.3	788	49.8
Home Refinance	32	53.3	23,361	49.6	28	46.7	23,708	50.4
Multifamily	12	48.0	13,312	39.2	13	52.0	20,617	60.8
Total Mortgage Related	99	48.1	52,104	41.2	107	51.9	74,483	58.8
Total Loans	171	59.4	74,525	49.2	117	40.6	76,982	50.8

¹ Small business figures are based on a sample of loans originated from July 1, 2016 through December 31, 2016 whereas the HMDA-related figures are based on loans originated from July 1, 2013 through December 31, 2016.

GEOGRAPHIC AND BORROWER DISTRIBUTION

CCB's small business lending demonstrated excellent geographic distribution and reasonable borrower distribution within the assessment areas. There was an excellent distribution of small business loans throughout geographies of all income levels, with lending in low- and moderate- income census tracts at levels more than double the aggregate performance of lenders operating within the Snohomish assessment area. The distribution of loans among businesses of different sizes was reasonable as lending levels were slightly above the performance of other lenders in the market.

RESPONSE TO COMPLAINTS

CCB did not receive any CRA-related complaints during the review period. Accordingly, the bank's performance in responding to complaints was not considered in evaluating its overall CRA performance.

Community Development Test

CCB's performance under the community development test is outstanding. The bank demonstrates an excellent level of responsiveness to local community needs through community development loans, investments and donations, and services. As shown in Exhibit 3 below, the bank's performance reflected community development loans totaling \$26.0 million, investments totaling \$11.9 million, and over 5,300 hours of community development services. Overall, the bank's community development activities primarily supported the creation of affordable housing, promoted economic development through job creation and retention, and supported community organizations that provided critical social services to low- and moderate-income individuals. Activities included, but were not limited to the following:

- Extending loans guaranteed by the SBA under the SBA 504 loan program;
- Investing in securities backed by mortgages to low- and moderate-income individuals; and
- Providing community services targeted to low- and moderate- income individuals.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Area (s)	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Snohomish County AA	32	24,712	2	1,645	27	50	87	4,984
Island County AA	-	-	-	-	2	0.9	5	367
Broader Statewide or Regional Area	3	1,272	3	746	40	9,412	-	-
Total	35	25,984	5	2,391	69	9,463	92	5,351

The bank also engaged in qualified community development activities that benefited a broader statewide or regional area. The following examples illustrate these activities:

- Current period deposits totaling \$9.4 million in minority-owned financial institutions that serve the needs of minority and low- and moderate-income communities.
- An SBA 504 loan and interim funding, totaling \$972,203, to a woman-owned business to purchase commercial real-estate to be used as an owner-occupied daycare facility, creating and supporting three low-income jobs.

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, a review of the bank's compliance with consumer protection laws and regulations was conducted. The review found no evidence of violations of the substantive provisions of anti-discrimination, fair lending, or other credit practice rules, laws or regulations.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

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

Snohomish County

DESCRIPTION OF OPERATIONS IN SNOHOMISH COUNTY

CCB's full-scope assessment area consists of Snohomish County. Snohomish County is located between northern Puget Sound to the west and the crest line of the North Cascade Range to the east. It shares its northern border with Skagit County and borders King County to the south.² Snohomish County is part of the Seattle-Bellevue-Everett MD and the Seattle-Tacoma-Bellevue MSA. In 2016, the population of Snohomish County was 787,620 people.³

As of June 30, 2017, the Snohomish County assessment area had 25 Federal Deposit Insurance Corporation-insured commercial institutions operating 179 offices. CCB operated ten branches in the area, which had total deposits of \$578.2 million, representing 5.0 percent of the market.⁴

Exhibits 4 through 7 on the following pages present key demographic and business information used to help develop a performance context for the assessment area.

² Washington State, Employment Security Department, Snohomish County Profile; available from: <https://esd.wa.gov/labormarketinfo/county-profiles/snohomish>.

³ U.S. Census Bureau, 2016 Population Estimates, Snohomish; available from: <http://quickfacts.census.gov/qfd/index.html>.

⁴ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2017; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

EXHIBIT 4								
ASSESSMENT AREA DEMOGRAPHICS								
SNOHOMISH COUNTY ASSESSMENT AREA								
2010 U.S. CENSUS AND 2013 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.3	6,189	3.4	1,119	18.1	38,545	21.4
Moderate-income	42	27.8	45,600	25.3	4,799	10.5	35,772	19.9
Middle-income	74	49.0	93,266	51.8	3,916	4.2	45,008	25.0
Upper-income	28	18.5	35,008	19.4	829	2.4	60,738	33.7
Unknown-income	2	1.3	0	0.0	0	0.0	0	0.0
Total AA	151	100.0	180,063	100.0	10,663	5.9	180,063	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	13,844	3,847	2.1	27.8	8,876	64.1	1,121	8.1
Moderate-income	80,866	39,350	21.9	48.7	35,497	43.9	6,019	7.4
Middle-income	139,386	98,064	54.6	70.4	33,075	23.7	8,247	5.9
Upper-income	47,065	38,502	21.4	81.8	6,720	14.3	1,843	3.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	281,161	179,763	100.0	63.9	84,168	29.9	17,230	6.1
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,417	4.0	1,246	3.8	122	7.1	49	3.7
Moderate-income	10,396	29.0	9,312	28.4	609	35.3	475	36.3
Middle-income	17,184	48.0	15,893	48.5	709	41.1	582	44.4
Upper-income	6,834	19.1	6,344	19.3	286	16.6	204	15.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	35,831	100.0	32,795	100.0	1,726	100.0	1,310	100.0
Percent of Total Businesses			91.5		4.8		3.7	
2013 Median Family Income ⁵					2013 Median Housing Value ⁶			
Snohomish County			\$67,394		Snohomish County			\$299,100
2013 HUD Adjusted Median Family Income ⁷					2013 Unemployment Rate ⁸			
Snohomish County			\$86,700		Snohomish County			5.7%

⁵ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2013; available from: <http://factfinder2.census.gov>.

⁶ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2013; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

⁷ U.S. Department of Housing and Urban Development, FY 2013 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

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

EXHIBIT 5 ASSESSMENT AREA DEMOGRAPHICS SNOHOMISH COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2014 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.3	6,189	3.4	1,119	18.1	38,545	21.4
Moderate-income	42	27.8	45,600	25.3	4,799	10.5	35,772	19.9
Middle-income	74	49.0	93,266	51.8	3,916	4.2	45,008	25.0
Upper-income	28	18.5	35,008	19.4	829	2.4	60,738	33.7
Unknown-income	2	1.3	0	0.0	0	0.0	0	0.0
Total AA	151	100.0	180,063	100.0	10,663	5.9	180,063	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	13,844	3,847	2.1	27.8	8,876	64.1	1,121	8.1
Moderate-income	80,866	39,350	21.9	48.7	35,497	43.9	6,019	7.4
Middle-income	139,386	98,064	54.6	70.4	33,075	23.7	8,247	5.9
Upper-income	47,065	38,502	21.4	81.8	6,720	14.3	1,843	3.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	281,161	179,763	100.0	63.9	84,168	29.9	17,230	6.1
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,277	4.1	1,101	3.9	126	7.2	50	4.6
Moderate-income	9,007	28.8	8,016	28.2	616	35.3	375	34.2
Middle-income	14,965	47.9	13,763	48.5	712	40.8	490	44.6
Upper-income	5,985	19.2	5,511	19.4	291	16.7	183	16.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	31,234	100.0	28,391	100.0	1,745	100.0	1,098	100.0
Percent of Total Businesses			90.9		5.6		3.5	
2014 Median Family Income ⁹					2014 Median Housing Value ¹⁰			
Snohomish County			\$71,984		Snohomish County		\$328,700	
2014 HUD Adjusted Median Family Income ¹¹					2014 Unemployment Rate ¹²			
Snohomish County			\$88,200		Snohomish County		5.2%	

⁹ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2014; available from: <http://factfinder2.census.gov>.

¹⁰ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2014; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

¹¹ U.S. Department of Housing and Urban Development, FY 2014 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

¹² U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 6 ASSESSMENT AREA DEMOGRAPHICS SNOHOMISH COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2015 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.3	6,189	3.4	1,119	18.1	38,545	21.4
Moderate-income	42	27.8	45,600	25.3	4,799	10.5	35,772	19.9
Middle-income	74	49.0	93,266	51.8	3,916	4.2	45,008	25.0
Upper-income	28	18.5	35,008	19.4	829	2.4	60,738	33.7
Unknown-income	2	1.3	0	0.0	0	0.0	0	0.0
Total AA	151	100.0	180,063	100.0	10,663	5.9	180,063	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	13,844	3,847	2.1	27.8	8,876	64.1	1,121	8.1
Moderate-income	80,866	39,350	21.9	48.7	35,497	43.9	6,019	7.4
Middle-income	139,386	98,064	54.6	70.4	33,075	23.7	8,247	5.9
Upper-income	47,065	38,502	21.4	81.8	6,720	14.3	1,843	3.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	281,161	179,763	100.0	63.9	84,168	29.9	17,230	6.1
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,315	3.9	1,166	3.7	144	7.4	5	5.4
Moderate-income	9,357	27.8	8,644	27.4	676	34.9	37	40.2
Middle-income	16,316	48.6	15,467	49.0	805	41.6	44	47.8
Upper-income	6,615	19.7	6,298	19.9	311	16.1	6	6.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	33,603	100.0	31,575	100.0	1,936	100.0	92	100.0
Percent of Total Businesses			94.0		5.8		0.3	
2015 Median Family Income ¹³					2015 Median Housing Value ¹⁴			
Snohomish County			\$76,251		Snohomish County		\$363,800	
2015 HUD Adjusted Median Family Income ¹⁵					2015 Unemployment Rate ¹⁶			
Snohomish County			\$89,600		Snohomish County		4.6%	

¹³ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2015; available from: <http://factfinder2.census.gov>.

¹⁴ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2015; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

¹⁵ U.S. Department of Housing and Urban Development, FY 2015 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

¹⁶ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 7 ASSESSMENT AREA DEMOGRAPHICS SNOHOMISH COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2016 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.3	6,189	3.4	1,119	18.1	38,545	21.4
Moderate-income	42	27.8	45,600	25.3	4,799	10.5	35,772	19.9
Middle-income	74	49.0	93,266	51.8	3,916	4.2	45,008	25.0
Upper-income	28	18.5	35,008	19.4	829	2.4	60,738	33.7
Unknown-income	2	1.3	0	0.0	0	0.0	0	0.0
Total AA	151	100.0	180,063	100.0	10,663	5.9	180,063	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	13,844	3,847	2.1	27.8	8,876	64.1	1,121	8.1
Moderate-income	80,866	39,350	21.9	48.7	35,497	43.9	6,019	7.4
Middle-income	139,386	98,064	54.6	70.4	33,075	23.7	8,247	5.9
Upper-income	47,065	38,502	21.4	81.8	6,720	14.3	1,843	3.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	281,161	179,763	100.0	63.9	84,168	29.9	17,230	6.1
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,167	3.9	1,021	3.7	139	7.2	7	4.4
Moderate-income	8,254	27.9	7,528	27.4	679	35.0	47	29.4
Middle-income	14,288	48.3	13,392	48.8	817	42.1	79	49.4
Upper-income	5,859	19.8	5,528	20.1	304	15.7	27	16.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	29,568	100.0	27,469	100.0	1,939	100.0	160	100.0
Percent of Total Businesses			92.9		6.6		0.5	
2016 Median Family Income ¹⁷					2016 Median Housing Value ¹⁸			
Snohomish County			\$78,716		Snohomish County		\$391,700	
2016 HUD Adjusted Median Family Income ¹⁹					2016 Unemployment Rate ²⁰			
Snohomish County			\$90,300		Snohomish County		4.4%	

¹⁷ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2016; available from: <http://factfinder2.census.gov>.

¹⁸ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2016; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

¹⁹ U.S. Department of Housing and Urban Development, FY 2016 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

²⁰ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

Economic Conditions

Snohomish County's economy successfully recovered from the Great Recession and continues to expand as one of the most vibrant economies in the West. The county's economy is diverse and powered by broad industry sectors including trade and manufacturing, aerospace, agriculture, technology and national defense.²¹ Snohomish County is home to the Boeing Factory, the world's largest advanced manufacturing facility producing aerospace equipment. The Boeing Company is also the county's largest employer accounting for 34,500 jobs in the area.²² Despite Boeing's downsizing efforts, resulting in the elimination of 4,000 aerospace manufacturing jobs in the metro area this year,²³ the number of people working in professional and business services has improved. During the review period, service providing jobs have increased by over 7 percent from 187,900 in 2013 to 202,500 in 2016, and the service sector accounts for 81 percent of all non-farm jobs in Snohomish County.²⁴ Another major industry sector in the county is military and defense. Naval Center Everett is the second largest public employer in the county and is estimated to have an annual economic impact of \$318 million.²⁵ Due to its proximity to technology-hub Seattle, Snohomish County is attractive to members of the well-educated, highly-skilled workforce. According to the Census Bureau, 10,500 people moved into Snohomish County in 2016, spurring population and economic growth. The huge jump in net migration was more than twice the numbers from the previous year.²⁶ Overall, continued growth in the county's industries as well as its advantageous geographical position has contributed to the area's economic expansion during the review period.

Economic improvements in the assessment area can be seen in small business lending. As depicted in Exhibit 8 on the following page, a review of small business loan data reported by banks subject to the CRA shows that the number and amount of loans to small businesses in the assessment area are improving. However, lending levels remain well below levels achieved prior to the Great Recession.²⁷ Lending to small businesses plays a critical role in the economy given that small businesses represented 92.9 percent of all businesses in the assessment area as depicted in Exhibit 7.

²¹ Moody's Précis Report, Seattle-Bellevue-Everett, August 2017.

²² Economic Alliance Snohomish County, Industry and Major Employers; available from: <http://www.economicalliancesc.org/about-the-region/business-climate/#industry-major-employers>.

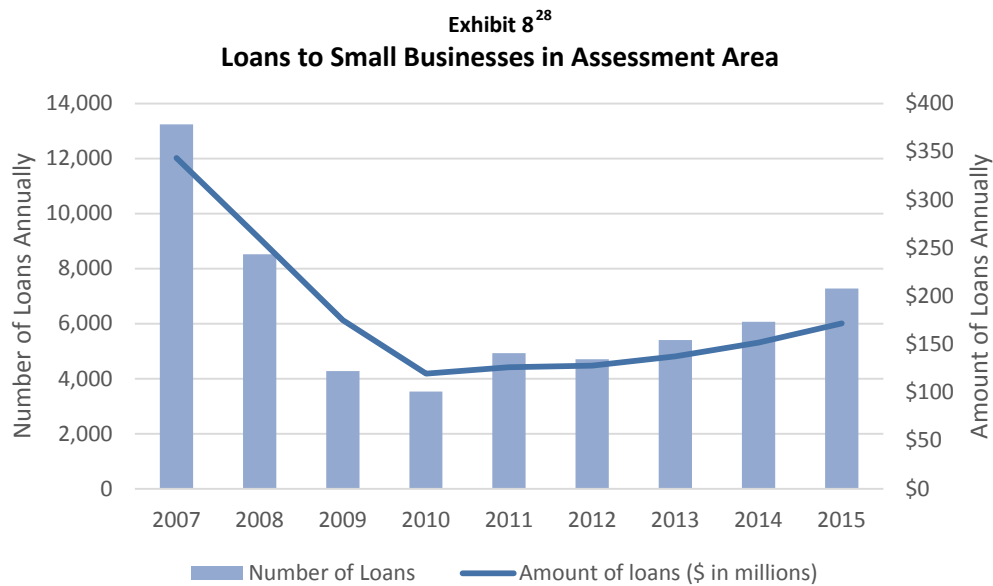
²³ Milken Institute, 2016 Best-Performing Cities, December 2016; available from: <http://www.milkeninstitute.org/publications/view/839>.

²⁴ Employment Security Department, Labor Market Info, Snohomish County Profile; available from <https://esd.wa.gov/labormarketinfo/county-profiles/snohomish#labor>.

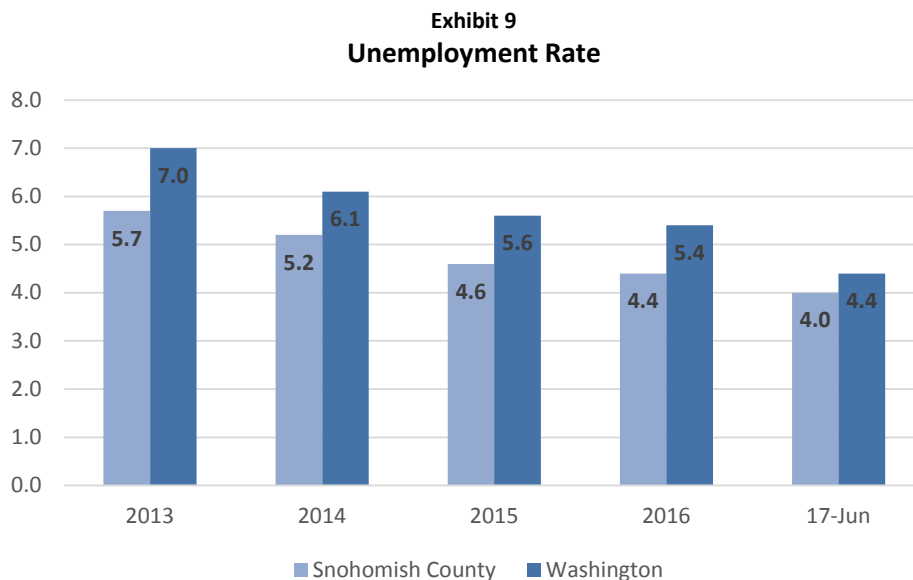
²⁵ My Base Guide, NS Everett, Employment and Economy; available from: http://www.mybaseguide.com/navy/12-3541/ns_everett_employment_economy.

²⁶ Balk, Gene, "New residents pour in: Pierce, Snohomish counties see nation's biggest jump in movers," The Seattle Times; available from: <https://www.seattletimes.com/seattle-news/data/new-residents-pour-in-pierce-snohomish-counties-top-the-nation/>.

²⁷ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/crassessmentareadweb/national.aspx>.

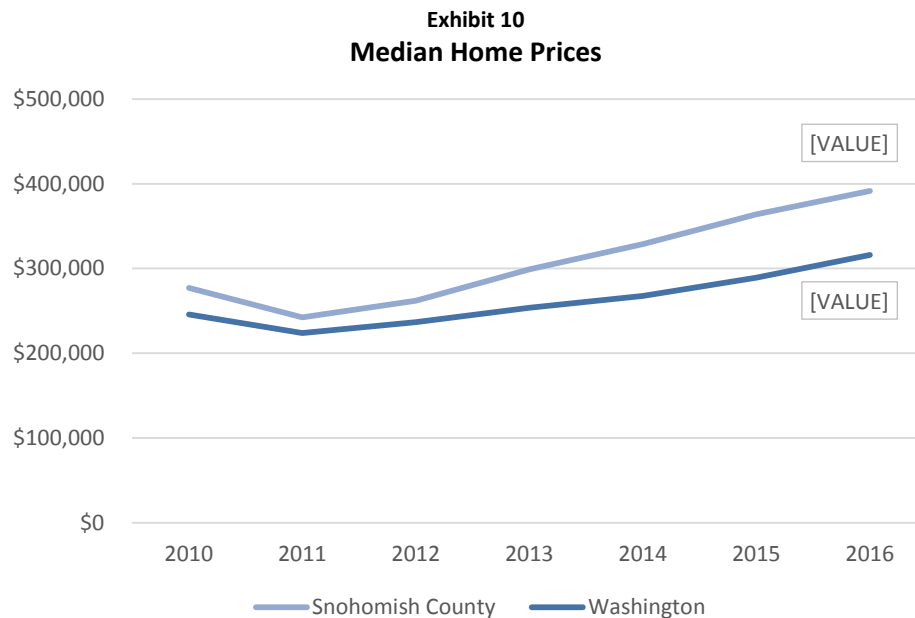


As depicted in Exhibit 9 below, the unemployment rate of Snohomish County has consistently been lower than the statewide rate. During the review period, the unemployment rate of Snohomish County declined significantly from 5.7 percent in 2013 to 4.0 percent in June 2017, indicating an improving economy.



²⁸ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/crassessments/areadweb/national.aspx>.

As depicted in Exhibit 10 below, the prices of homes in the assessment area increased significantly during the review period. In 2016, the median home price in Snohomish County was \$391,700 compared to \$315,900 in Washington State.²⁹ Snohomish County home prices are rising at their fastest pace in four years largely due to its historic population growth. With more people having moved to the Puget Sound area in the last year than in any other year this century, home prices are at a record high and supply of homes available continues to dwindle.³⁰

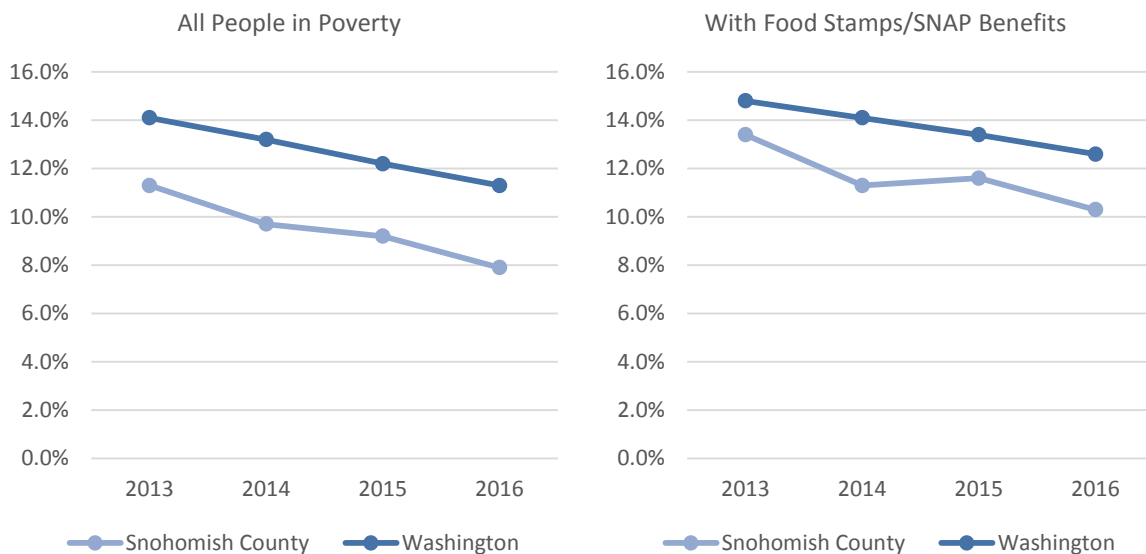


As depicted in Exhibit 11 on the following page, both the poverty rate and food stamp usage rate dropped in Snohomish County during the review period. The poverty rate improved from 11.3 percent in 2013 to 7.9 percent in 2016, and the food stamp usage rate improved from 13.4 percent to 10.3 percent. Snohomish County's poverty and food stamp usage rates are lower than the statewide rates, indicating that the area is less poverty stricken in comparison to other areas across the state of Washington.

²⁹ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2010-2016; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

³⁰ Rosenberg, Mike, "More Records fall: Median home price hits \$722,000 in Seattle and \$880,000 on Eastside," The Seattle Times; available from: <https://www.seattletimes.com/business/real-estate/more-records-fall-median-home-price-hits-722000-in-seattle-and-880000-on-eastside/>.

Exhibit 11
Poverty and Food Stamp Usage Rates³¹



Credit and Community Development Needs

During the review period, Snohomish County underwent a major disaster – the 2014 Oso mudslide – which resulted in heavy casualties, destroyed homes and deprivation of important resources and basic necessities for the community. According to the community contact, many community members, organizations and financial institutions contributed help to revitalize the area impacted by the disaster. Financial institutions forgave loans, including auto and business loans, and members of the community volunteered in disaster response programs.

The economic data previously discussed, the depressed small business lending levels, as well as feedback from community contacts indicate that small businesses in the assessment area face challenges in accessing credit and that some level of small business credit needs remain unmet by area banks. According to the 2016 Small Business Credit Survey, only 33 percent of smaller firm applicants received the full amount of financing dollars they sought and 29 percent received none.³² Of the financing and credit products sought by businesses, 86 percent of applicants applied for either a business loan or line of credit.³³ In addition, small businesses are most in need of small dollar loans that are less than \$100,000 for operating expenses and expansion purposes.³⁴

High housing costs and low rental affordability establish the need for affordable housing development and financing within the assessment area. Information obtained from community contacts suggest that escalating housing costs make it increasingly difficult for people to rent or own homes, especially in

³¹ U.S. Census Bureau, American Community Survey 1 Year Estimates, DP03, 2013-2016; available from: <http://factfinder2.census.gov>.

³² 2016 Small Business Credit Survey, Report on Employer Firms, available from: <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2016/SBCS-Report-EmployerFirms-2016.pdf>.

³³ Ibid.

³⁴ Ibid.

areas close to King County. According to the Housing Snohomish County Project Affordable Housing Inventory, there are 20,937 income-restricted housing units and vouchers used by households with incomes below 80 percent of Area Median Income (AMI). However, as of 2015, an estimated 72,264 households making less than 80 percent AMI (26 percent of all households in Snohomish County) are cost-burdened, paying more than 30 percent of their income to housing costs.³⁵ These numbers not only suggest that affordable housing needs are being unmet, but also highlight that cost-burdened households have little money left for food, transportation, health expenses and other needs.

The prevalence of poverty and increasing housing costs discussed previously highlight the importance of community service organizations within the bank's communities. A review of community contact information indicates that the community can greatly benefit from programs such as first-time homebuyer education and financial education. There is an opportunity for banks to support the wide range of community needs in the assessment area from affordable housing to access to credit for small businesses by engaging in community development activities and/or partnering with organizations that address the aforementioned needs of those most vulnerable in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SNOHOMISH COUNTY

Lending Test

CCB's lending test performance in the Snohomish County assessment area is satisfactory. The bank's geographic distribution was in excess of aggregate performance and the concentrations of businesses in low- and moderate-income geographies, while borrower distribution was aligned with aggregate performance, as further discussed below.

Lending Distribution by Geography

The overall geographic distribution of lending is excellent. This performance is driven exclusively by the strong performance of small business lending, since there were insufficient volumes of home purchase, home improvement, and home refinance loans to perform meaningful analysis under these criteria.

Small Business Lending

The geographic distribution of small business loans reflects excellent penetration among geographies of all income levels. As shown in Exhibit 12 on the following page, CCB demonstrated strong performance in low- and moderate-income geographies, where their level of lending generally exceeded percentage of business in their respective geographies and the performance of aggregate lenders.

³⁵ Housing Consortium of Everett and Snohomish County, Housing Snohomish County Project; available from: <http://housingsnohomish.org/wp-content/uploads/2017/02/HSCP-Production-Plan-Phase-One-Updated-06.07.17.pdf>.

EXHIBIT 12 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Snohomish Assessment Area 2016								
Bank Lending	6	8.6	33	47.1	23	32.9	8	11.4
Aggregate Lending	709	3.2	4,860	22.3	10,917	50.0	5,335	24.4
Business Concentration	1,167	3.9	8,254	27.9	14,288	48.3	5,859	19.8

Lending Distribution by Business Revenue

CCB's lending patterns demonstrate a reasonable distribution of loans to small businesses. As shown in Exhibit 13 below, the bank's lending to businesses with gross annual revenues of \$1 million or less compared favorably to aggregate lenders and reasonably relative to the percentage of small businesses in the assessment area. In addition, a majority of loan originations were in amounts less than \$250,000, thereby addressing an articulated need for smaller dollar loans.

EXHIBIT 13 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue ≤ \$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses ≤ \$1M in Revenue (%)	Aggregate Lending (%)	≤ \$100K (%)	> \$100K & ≤ \$250K (%)	> \$250K & ≤ \$1M (%)
2016	70	40.0	92.9	37.0	32.9	25.7	41.4

Community Development Test

CCB demonstrated an excellent level of responsiveness to the needs of the community and served all community development purposes. Activities, which consist of community development loans, investments, and services, supported the financing of affordable housing projects, economic development, job creation, geographic revitalization, and community services targeted to low- to moderate-income individuals.

Notable community development activities within the Snohomish County assessment area included:

- A \$2.9 million loan to finance the purchase and construction of a logging facility warehouse extended under the SBA 504 loan program. This loan fostered economic development in a moderate-income census tract and supported 22 permanent jobs for an entity that was subsequently named Exporter of the Year for the Pacific Northwest by the SBA.
- A \$481,900 loan to finance the purchase of commercial real estate to house a memory care nursing facility extended under the SBA 504 loan program. This loan fostered economic development by supporting 40 jobs in a moderate-income census tract. Additionally, the majority of the residents of the facility are low-income individuals who rely on Medicaid to pay for their care.

- A total of \$147,500 in donations and 668 service hours to an organization that provides housing and life skills counseling to homeless at-risk youth.
- Another \$15,500 in donations to an organization that exists to be a catalyst for economic vitality, increased job creation, expanded education opportunities, and improved infrastructure. The organization offers free professional business advising and technical assistance in all areas of business management, as well as providing government contracting support for small businesses.
- Approximately 310 service hours to an organization that was centrally responsible for establishing a comprehensive plan to enable the community to apply for grant funding and appropriations in response to the 2014 Oso mudslide.
- Three employees provided 1,320 service hours as Board members and Chairpersons for multiple committees for the local chapter of a national organization that is focused on breaking the cycle of poverty.

Moreover, CCB exemplified community responsiveness to the 2014 Oso mudslide, a major natural disaster that impacted the moderate-income communities of Oso, Darrington, and Arlington. For example, CCB's branch in Darrington cashed non-customer checks for no fee and added extra cash to its ATM to provide all residents with access to their funds. Additionally, CCB offered to help survivors of the mudslide by forgiving any home, business, or auto loans, a gesture that led the way for other financial institutions to do the same.³⁶ One bank employee was also lent to North Counties Family Resources Relief Fund (NCRF) for the month following the mudslide to assist with recovery efforts. This employee was central in distributing funds, managing resources and providing information to victim families and first responders in the moderate-income communities affected by the mudslide. CCB also tracked donors who made donations at CCB branches for NCRF and outsourced donor thank-you letters and tax donation receipts. To facilitate this latter effort, the bank hired a temporary employee and dedicated over 120 hours of staff and temporary worker time.

Finally, the bank encouraged and supported activities that support its community. CCB was a charter member and active participant in the Bank-On program through which the bank offered banking services to low- and moderate-income individuals. Moreover, CCB employees established an Employee Giving Fund (Fund) in 2002. Supported entirely by employee and director contributions, the Fund is dedicated to building the community through charitable actions in support of the bank's assessment areas.

³⁶ Smith, Debra, "Piecing things together after Oso," The Herald Business Journal, available from: <https://issuu.com/pnwmarketplace/docs/i20141029094030438>.

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

CCB's performance in the Island County assessment area received a limited-scope review that is generally consistent with the performance in the Snohomish County assessment area. Due to the bank's smaller presence, lending volume and deposit share, performance in this assessment area received less weight than the area receiving a full-scope review. Consequently, the bank's performance, which is detailed in Exhibit 14 below, did not materially affect the overall lending and community development test ratings. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

EXHIBIT 14 LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS		
ASSESSMENT AREA(S)	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Island County	Consistent	Consistent

Lending test performance in the Island County assessment area was generally consistent with performance in the full-scope assessment area. While no loans were extended in low- and moderate-income geographies, the context of this performance is explained by the composition of the assessment area. Camano Island has few businesses and is comprised entirely of upper-income census tracts. The only low- and moderate-income census tracts in the assessment area were adjoining a naval base on the northern end of Whidbey Island. Whidbey Island's terrain makes these northern geographies remote from the closest CCB branches on the southern end of the island in Freeland and on Camano Island. Additionally, less than one percent of aggregate lending occurred in these low- and moderate-income census tracts combined. Of the two small business loans extended by CCB, both were made to businesses with gross annual revenues of \$1.0 million or less.

The community development test performance in the Island County assessment area was also consistent with the performance in the full-scope assessment area given the level of services extended to the area. While no community development loans and minimal investments were made in Island County, there were limited opportunities for these activities relative to Snohomish County. Land based ingress and egress to Camano Island is possible only through a bridge into the city of Stanwood, which is located in Snohomish County. The Camano Island Food Bank is located in Stanwood, as is the local YMCA that serves both Snohomish and Island counties.

APPENDIX A

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is

further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

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

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

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

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

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

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

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

APPENDIX B

LIMITED-SCOPE ASSESSMENT AREA

MARKET PROFILES

All demographic and economic information in this appendix came from the following sources:

- Washington State, Employment Security Department, Island County Profile; available from: <https://esd.wa.gov/labormarketinfo/county-profiles/island>.
- U.S. Census Bureau, 2016 Population Estimates, Island; available from: <http://quickfacts.census.gov/qfd/index.html>.
- Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2017; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.
- U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2013, 2014, 2015, and 2016; available from: <http://factfinder2.census.gov>.
- University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2013, 2014, 2015, and 2016; available from: <http://realestate.washington.edu/research/wcrer/reports/>.
- U.S. Department of Housing and Urban Development, FY 2013, 2014, 2015, and 2016 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.
- U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

Island County

Coastal Community Bank's limited-scope assessment area consists of Island County. Island County is located in the Salish Sea in Northwest Washington. It is made up of several islands, with the two largest being Whidbey and Camano. Island County is the second smallest county in Washington by landmass. Island County is one of nine counties included in the Seattle-Tacoma Primary Metropolitan Statistical area (PMSA).¹ In 2016, the population of Snohomish County was 82,636 people.²

As of June 30, 2017, Island County had ten Federal Deposit Insurance Corporation-insured commercial institutions operating 24 offices. CCB operated two branches in the area, which had total deposits of \$65.1 million, representing 5.6 percent of the market.³

The following exhibits present key demographic and business information used to help develop a performance context for the assessment area.

¹ Washington State, Employment Security Department, Island County Profile; available from: <https://esd.wa.gov/labormarketinfo/county-profiles/island>.

² U.S. Census Bureau, 2016 Population Estimates, Island; available from: <http://quickfacts.census.gov/qfd/index.html>.

³ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2017; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

EXHIBIT 15 ASSESSMENT AREA DEMOGRAPHICS ISLAND COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2013 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	222	1.0	37	16.7	2,840	12.4
Moderate-income	1	4.5	1,185	5.2	167	14.1	3,079	13.4
Middle-income	6	27.3	5,723	25.0	494	8.6	4,821	21.0
Upper-income	13	59.1	15,804	68.9	606	3.8	12,194	53.2
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total AA	22	100.0	22,934	100.0	1,304	5.7	22,934	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	347	18	0.1	5.2	269	77.5	60	17.3
Moderate-income	1,382	37	0.2	2.7	1,234	89.3	111	8.0
Middle-income	9,592	5,257	21.6	54.8	3,355	35.0	980	10.2
Upper-income	27,904	19,052	78.2	68.3	3,754	13.5	5,098	18.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	39,225	24,364	100.0	62.1	8,612	22.0	6,249	15.9
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	35	0.8	31	0.8	1	0.9	3	2.9
Moderate-income	61	1.5	57	1.4	2	1.8	2	1.9
Middle-income	1,023	24.6	946	24.0	47	41.2	30	28.8
Upper-income	3,045	73.1	2,912	73.8	64	56.1	69	66.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4,164	100.0	3,946	100.0	114	100.0	104	100.0
Percent of Total Businesses			94.8		2.7		2.5	
2013 Median Family Income ⁴					2013 Median Housing Value ⁵			
Island County			\$51,893		Island County		\$255,000	
2013 HUD Adjusted Median Family Income ⁶					2013 Unemployment Rate ⁷			
Island County			\$67,400		Island County		7.5%	

⁴ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2013; available from: <http://factfinder2.census.gov>.

⁵ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2013; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

⁶ U.S. Department of Housing and Urban Development, FY 2013 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

⁷ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 16 ASSESSMENT AREA DEMOGRAPHICS ISLAND COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2014 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	222	1.0	37	16.7	2,838	12.4
Moderate-income	1	4.5	1,185	5.2	167	14.1	3,080	13.4
Middle-income	6	27.3	5,723	25.0	494	8.6	4,817	21.0
Upper-income	13	59.1	15,804	68.9	606	3.8	12,199	53.2
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total AA	22	100.0	22,934	100.0	1,304	5.7	22,934	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	347	18	0.1	5.2	269	77.5	60	17.3
Moderate-income	1,382	37	0.2	2.7	1,234	89.3	111	8.0
Middle-income	9,592	5,257	21.6	54.8	3,355	35.0	980	10.2
Upper-income	27,904	19,052	78.2	68.3	3,754	13.5	5,098	18.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	39,225	24,364	100.0	62.1	8,612	22.0	6,249	15.9
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	28	0.7	25	0.7	1	1.0	2	1.9
Moderate-income	50	1.3	46	1.3	2	2.0	2	1.9
Middle-income	900	24.1	830	23.5	40	39.6	30	29.1
Upper-income	2,762	73.9	2,635	74.5	58	57.4	69	67.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,740	100.0	3,536	100.0	101	100.0	103	100.0
Percent of Total Businesses			94.5		2.7		2.8	
2014 Median Family Income ⁸					2014 Median Housing Value ⁹			
Island County			\$59,934		Island County		\$266,700	
2014 HUD Adjusted Median Family Income ¹⁰					2014 Unemployment Rate ¹¹			
Island County			\$73,000		Island County		6.6%	

⁸ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2014; available from: <http://factfinder2.census.gov>.

⁹ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2014; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

¹⁰ U.S. Department of Housing and Urban Development, FY 2014 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

¹¹ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 17 ASSESSMENT AREA DEMOGRAPHICS ISLAND COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2015 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	222	1.0	37	16.7	2,838	12.4
Moderate-income	1	4.5	1,185	5.2	167	14.1	3,080	13.4
Middle-income	6	27.3	5,723	25.0	494	8.6	4,817	21.0
Upper-income	13	59.1	15,804	68.9	606	3.8	12,199	53.2
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total AA	22	100.0	22,934	100.0	1,304	5.7	22,934	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	347	18	0.1	5.2	269	77.5	60	17.3
Moderate-income	1,382	37	0.2	2.7	1,234	89.3	111	8.0
Middle-income	9,592	5,257	21.6	54.8	3,355	35.0	980	10.2
Upper-income	27,904	19,052	78.2	68.3	3,754	13.5	5,098	18.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	39,225	24,364	100.0	62.1	8,612	22.0	6,249	15.9
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	29	0.7	27	0.7	2	1.8	0	0.0
Moderate-income	50	1.3	48	1.3	2	1.8	0	0.0
Middle-income	912	23.0	861	22.4	47	42.3	4	25.0
Upper-income	2,975	75.0	2,903	75.6	60	54.1	12	75.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,966	100.0	3,839	100.0	111	100.0	16	100.0
Percent of Total Businesses			96.8		2.8		0.4	
2015 Median Family Income ¹²					2015 Median Housing Value ¹³			
Island County			\$60,532		Island County		\$290,400	
2015 HUD Adjusted Median Family Income ¹⁴					2015 Unemployment Rate ¹⁵			
Island County			\$74,200		Island County		6.1%	

¹² U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2015; available from: <http://factfinder2.census.gov>.

¹³ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2015; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

¹⁴ U.S. Department of Housing and Urban Development, FY 2015 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

¹⁵ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 18 ASSESSMENT AREA DEMOGRAPHICS ISLAND COUNTY ASSESSMENT AREA 2010 U.S. CENSUS AND 2016 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	222	1.0	37	16.7	2,838	12.4
Moderate-income	1	4.5	1,185	5.2	167	14.1	3,080	13.4
Middle-income	6	27.3	5,723	25.0	494	8.6	4,817	21.0
Upper-income	13	59.1	15,804	68.9	606	3.8	12,199	53.2
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total AA	22	100.0	22,934	100.0	1,304	5.7	22,934	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	347	18	0.1	5.2	269	77.5	60	17.3
Moderate-income	1,382	37	0.2	2.7	1,234	89.3	111	8.0
Middle-income	9,592	5,257	21.6	54.8	3,355	35.0	980	10.2
Upper-income	27,904	19,052	78.2	68.3	3,754	13.5	5,098	18.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	39,225	24,364	100.0	62.1	8,612	22.0	6,249	15.9
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	24	0.7	22	0.7	2	1.8	0	0.0
Moderate-income	44	1.3	42	1.2	2	1.8	0	0.0
Middle-income	806	23.0	750	22.3	49	44.1	7	29.2
Upper-income	2,624	75.0	2,549	75.8	58	52.3	17	70.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,498	100.0	3,363	100.0	111	100.0	24	100.0
Percent of Total Businesses			96.1		3.2		0.7	
2016 Median Family Income ¹⁶					2016 Median Housing Value ¹⁷			
Island County			\$64,813		Island County		\$316,900	
2016 HUD Adjusted Median Family Income ¹⁸					2016 Unemployment Rate ¹⁹			
Island County			\$66,400		Island County		6.0%	

¹⁶ U.S. Census Bureau, American Community Survey 1-Year Estimates, DP03, 2016; available from: <http://factfinder2.census.gov>.

¹⁷ University of Washington, Runstad Center for Real Estate Studies, Median Home Prices, Annual, 2016; available from: <http://realestate.washington.edu/research/wcrer/reports/>.

¹⁸ U.S. Department of Housing and Urban Development, FY 2016 Median Family Income Documentation System; available from: <https://www.huduser.gov/portal/datasets/il.html>.

¹⁹ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 19 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Island Assessment Area 2016								
Bank Lending	0	0.0	0	0.0	0	0.0	2	100.0
Aggregate Lending	7	0.3	7	0.3	385	16.8	1,892	82.6
Business Concentration	24	0.7	44	1.3	806	23.0	2,624	75.0

EXHIBIT 20 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2016	2	100.0	96.1	39.1	100.0	0.0	0.0