

PUBLIC DISCLOSURE

February 03, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank of Santa Maria
Certificate Number: 57073

2739 Santa Maria Way
Santa Maria, CA 93455

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans are inside of the institution's AA.
- The geographic distribution of small business and consumer loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses and small farms of different sizes and to individuals of different income levels (including LMI).
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

DESCRIPTION OF INSTITUTION

Community Bank of Santa Maria (CBSM) is a \$400.2 million community bank headquartered in Santa Maria, California (CA). The bank operates two branches in Santa Maria, located in Santa Barbara County. The institution was established on March 1, 2001, and is wholly owned by Community Bancorp of Santa Maria, a one-bank holding company. The bank received a Satisfactory rating at its previous CRA Performance Evaluation dated December 6, 2021, based on Interagency Small Institution Examination Procedures.

The institution is primarily a commercial lender providing financial services to small- and medium sized businesses throughout Santa Barbara County. Commercial loan offerings include commercial real estate, construction, commercial and industrial, equipment, revolving lines of credit, multifamily loans, and agriculture lending. Consumer loan offerings include home equity lines of credit, overdraft lines of credit, 1-4 family construction, consumer, and auto loans. CBSM also offers both commercial and personal credit cards.

CBSM's deposit offerings include business and personal checking and savings accounts, money market, negotiable order of withdrawal accounts, Christmas Club accounts, certificates of deposits, individual retirement accounts, and a children's savings account. CBSM offers online banking and operates a website at www.yourcbsm.com. At each branch, there is an automated teller machine (ATM), drive-up banking services, and a 24-hour night depository. Lobby hours at both locations are Monday through Thursday from 9:00 a.m. to 5:00 p.m., Friday from 9:00 a.m. to 6:00 p.m., with additional banking hours on Saturday from 9:00 a.m. to 12:00 p.m.

As of the September 30, 2024, Report of Condition and Income, total assets were \$404.2 million and included total loans of \$255.8 million and total deposits of \$360.1 million. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 09/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	10,780	4.2
Secured by Farmland	18,308	7.2
Secured by 1-4 Family Residential Properties	19,118	7.5
Secured by Multifamily (5 or more) Residential Properties	12,753	5.0
Secured by Nonfarm Nonresidential Properties	149,358	58.4
Total Real Estate Loans	210,317	82.3
Commercial and Industrial Loans	25,826	10.1
Agricultural Production and Other Loans to Farmers	4,367	1.7
Consumer Loans	410	0.2
Obligations of State and Political Subdivisions in the U.S.	14,846	5.8
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	255,766	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREAS

CBSM designated a portion of Santa Barbara County as its sole AA. The AA consists of 37 census tracts (CTs). Santa Barbara County wholly forms the Santa Maria-Santa Barbara, CA Metropolitan Statistical Area (MSA). The CTs cover northern Santa Barbara County, where CBSM's two branches operate, which is within the designated AA.

The Census Bureau released the updated 2020 U.S. Census Data during the evaluation period. This resulted in adjustments to census tracts across the country. There was a decrease of one low-income census tract, and an increase of two moderate income census tracts within the designated AA, there were no other changes to the census tracts.

Examiners reviewed the AA delineation including the excluded 72 CTs, which include a majority of upper-income CTs, the City of Santa Barbara, La Purisima Mission State Historic Park, Vandenberg Air Force Base, and the Los Padres National Forest.

The delineated AA complies with the technical requirements of CRA regulations and does not arbitrarily exclude any low- and moderate-income (LMI) areas.

Economic and Demographic Data

Based on the 2020 US Census Data, the bank's AA consists of 37 CTs: 5 low-, 14 moderate-, 14 middle-, and 4 upper-income CTs. LMI CTs account for 13.5 percent and 37.8 percent, respectively, of the total number of tracts in the AA. The AA population is approximately 177,449 people. The following table provides a summary of demographic, housing, and business information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: CBSM AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	37	13.5	37.8	37.8	10.8	0.0
Population by Geography	177,449	10.7	41.1	39.3	8.8	0.0
Housing Units by Geography	52,550	10.5	37.6	41.4	10.5	0.0
Owner-Occupied Units by Geography	28,168	3.6	29.5	50.7	16.1	0.0
Occupied Rental Units by Geography	22,450	19.2	47.0	30.2	3.7	0.0
Vacant Units by Geography	1,932	10.4	45.3	34.8	9.5	0.0
Businesses by Geography	12,841	10.6	32.9	44.5	12.0	0.0
Farms by Geography	563	7.6	27.7	43.5	21.1	0.0
Family Distribution by Income Level	39,449	28.6	21.7	20.7	29.1	0.0
Household Distribution by Income Level	50,618	26.2	19.2	20.4	34.2	0.0
Median Family Income MSA - 42200 Santa Maria-Santa Barbara, CA MSA		\$89,549	Median Housing Value			\$361,007
			Median Gross Rent			\$1,445
			Families Below Poverty Level			9.6%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

During the evaluation period, the source of demographic data for the AA changed from the 2015 ACS data to the 2020 U.S. Census Data. Notable changes between the 2015 ACS data and the 2020 U.S. Census Data include the number of CTs in the AA increased from 34 to 37 and the median family income for the designated AA increased from \$74,824 to \$89,549. Furthermore, the number of businesses grew within the geography by 15.9 percent as well as farms increased within the geography by 15.6 percent in the designated AA during the evaluation period.

The FFIEC publishes annual estimates of updated median family incomes by MSA or MD. The following table shows FFIEC-estimated median family incomes in the Santa Maria -Santa Barbara, CA MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Santa Maria-Santa Barbara, CA MSA Median Family Income (42200)				
2023 (\$107,300)	<\$53,650	\$53,650 to <\$85,840	\$85,840 to <\$128,760	≥\$128,760
Source: FFIEC				

Examiners also obtained economic information from Moody’s Analytics as of November 2024. The following includes discussions of employment conditions, housing affordability, and major employers in each county.

Santa Barbara County

According to the November 2024 Moody’s Analytics Report, Santa Maria-Santa Barbara’s economy is losing steam. Employment has contracted in recent months while the nation and state have added jobs. While professional services payrolls are rebounding, manufacturing employment decreased. The unemployment rate has picked up slightly despite a decline in the labor force. Low housing affordability will remain a significant impediment to growth. Cost of living makes it the 11th least-affordable metro area in the U.S. Strengths of the area include beautiful weather and coastal location, above-average per capita income and a highly educated labor force, presence of a large research university, and stable consumer base in the University of California, Santa Barbara students. Weaknesses of the area include a very high cost of living, reliance on the defense industry, worsening migration patterns, and high employment volatility. The top major employers in the area include Vandenberg Air Force Base, Dignity Health Central Coast, University of California Santa Barbara, Cottage Health Organization, and Marian Medical Center.

Competition

Financial services are highly competitive in the AA. According to the June 30, 2024, FDIC Deposit Market Share Report, 18 financial institutions operate 88 offices within the AA. Including CBSM, the 18 FDIC-insured institutions account for over \$14.4 billion in total deposits within the AA. CBSM ranks 11th and holds 2.5 percent of the total deposit market share within the AA. The top 5 institutions control 70.1 percent of the AA’s deposit market share with combined deposits of approximately \$10.1 billion.

Community Contact

Examiners conducted one community contact with a local CDFI that makes loans in the community to small businesses providing 7A and 504 loans. In addition, the CDFI provides seminars and programs to small business owners to provide technical support and training. The contact reported a need to increase the number of employees in the healthcare workforce. In addition, there are

many communities with limited broadband internet service and added funding would provide broadband internet for communities in rural areas of the county.

The contact identified a need for grants and financing for economic development projects. The contact mentioned the local small businesses need promotional rates for loans to support the increased high cost of labor. Additional opportunities include permanent financing for affordable housing projects and bank involvement in federally guaranteed lending programs to small businesses.

Credit and Community Development Needs and Opportunities

Considering area demographics, economic data, and community contact information, examiners determined that small business lending represents the AA's primary credit need. Additionally, there is a CD need for affordable housing.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated December 6, 2021, to the current evaluation dated February 3, 2025. Examiners used Interagency Intermediate Small Institution Procedures to evaluate CBSM's CRA performance. Examiners performed a full-scope review of the bank's sole AA. Refer to the appendix for a description of the performance criteria.

Activities Reviewed

Examiners determined that the institution's major product line includes small business, small farm, and home mortgage lending. This conclusion considered the bank's business strategy, loan portfolio composition, and the number and dollar volume of loans originated during the evaluation period. The bank was not required to collect and report home mortgage, small business, or small farm loan data during the review period. Examiners selected a random sample for small business and home mortgage and the entire universe for small farm loans originated or purchased from January 1, 2021, to December 31, 2024. The random samples for each year were considered representative of the bank's performance during the entire evaluation period. Examiners placed more weight on small business loans due to the higher volume of loans originated during the review period. The following table illustrates the universe and random samples of loans by year, number, and dollar volume.

Small Business Loans				
Year	# Universe	\$ (000)	# Sample	\$ (000)
2021	251	9,825	31	\$3,819
2022	51	9,768	31	\$2,970
2023	49	9,534	29	\$3,228
Home Mortgage Loans				
Year	# Universe	\$ (000)	# Sample	\$ (000)
2021	39	9,257	39	\$9,257
2022	37	5,391	36	\$5,305
2023	41	8,059	34	\$5,488
Small Farm Loans				
Year	# Universe	\$ (000)	# Sample	\$ (000)
2021	5	292	5	292
2022	4	343	4	343
2023	18	1,870	18	1,870
Source: Bank Data				

The Small Business Administration (SBA) created the Payment Protection Program (PPP) to provide aid to small and medium-size businesses during the COVID-19 pandemic. In 2021, the bank originated 199 PPP loans totaling \$32.1 million. The PPP did not require revenue disclosure for loan approval and the bank did not voluntarily collect that information.

For the Lending Test, examiners reviewed the number and dollar volume of small business, home mortgage and small farm loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served. CBSM's lending performance is compared to the 2020 U.S. Census Data and D&B Data for small business lending and other information gathered as part of the evaluation process, including community contacts. Examiners did not identify any significant increase or decrease in lending trends for small business, home mortgage, and small farms that would materially affect the overall conclusions; therefore, this evaluation only presents 2023 small business, home mortgage and small farms lending performance for geographic distribution and borrower profile.

The CD Test includes all qualified CD activities made from December 6, 2021, to February 3, 2025. The evaluation of CD activities is limited to those loans, investments, and services for which management could demonstrate in meeting the primary purpose of CD. Examiners evaluated CD activities quantitatively based on the financial capacity of the bank and quantitatively based upon the impact to the AAs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CBSM demonstrated satisfactory performance under the Lending Test. Performance under the AA Concentration, Geographic Distribution, and Borrower Profile criteria primarily support this conclusion.

Loan-to-Deposit Ratio

CBSM's LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The LTD ratio averaged 65.64 percent over the past 12 calendar quarters from December 31, 2021, to September 30, 2024. The ratio ranged from a low of 53.46 percent as of June 30, 2022, to a high of 71.85 percent as of June 30, 2024. Since the prior CRA evaluation, the LTD ratio started increasing each quarter from March 31, 2022, through June 30, 2024, before gradually declining in the final quarter of September 30, 2024. In addition, the bank's average net LTD ratio decreased from the previous evaluation's 76.2 percent.

CBSM's total assets as of September 30, 2024, and average net LTD ratio are shown in the following table. Examiners were unable to identify comparable institutions based on the asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2024 (\$000s)	Average Net LTD Ratio (%)
Community Bank of Santa Maria	400,235	65.64
<i>Source: Reports of Condition and Income 12/31/2021 – 09/30/2024</i>		

Assessment Area Concentration

CBSM originated a majority of loans inside its AA. The following table shows the bank's lending activity by loan category during the review period. The bank originated a majority of small business and home mortgage loans by both number and dollar volume in its defined AA. However, the majority of its small farm loans by number and dollar volume outside of the AA. This was due to the bank's limited volume of small farm lending and the defined AA focusing on the small business and home mortgage lending. The following table details the AA concentration of loans by year, number, and dollar volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	27	69.2	12	30.8	39	4,727	51.1	4,530	48.9	9,257
2022	24	66.7	12	33.3	36	3,111	58.6	2,194	41.4	5,305
2023	28	82.4	6	17.6	34	4,398	80.1	1,090	19.9	5,488
Subtotal	79	72.8	18	27.2	109	12,236	63.3	7,814	36.7	20,050
Small Business										
2021	97	57.7	71	42.3	168	17,272	62.0	10,594	38.0	27,866
2022	21	67.7	10	32.3	31	2,271	76.5	699	23.5	2,970
2023	19	65.5	10	34.5	29	2,046	63.4	1,182	36.6	3,228
Subtotal	137	63.6	91	36.4	228	21,589	67.3	12,475	32.7	34,064
Small Farm										
2021	4	80.0	1	20.0	5	242	82.9	50	17.1	292
2022	1	25.0	3	75.0	4	60	17.5	283	82.5	343
2023	6	33.3	12	66.7	18	935	50.0	935	50.0	1,870
Subtotal	11	46.1	16	53.9	27	1,237	50.1	1,268	49.9	2,505
Total	227	60.8	116	41.6	364	35,062	60.2	21,557	37.8	56,619
Source: Bank Data										

Geographic Distribution

CBSM geographic distribution of loans reflects reasonable dispersion throughout the AA. This conclusion is primarily supported by the reasonable performance of small business, home mortgage and small farm loans.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The following table shows the bank's geographic distribution of small business loans by census tract income level.

Geographic Distribution of Small Business Loans					
Assessment Area: CBSM AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2023	10.6	4	21.1	376	18.4
Moderate					
2023	32.9	6	31.6	607	29.7
Middle					
2023	44.5	5	26.3	465	22.7
Upper					
2023	12.0	4	21.1	598	29.2
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	19	100.0	2,046	100.0
<i>Source: 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

The bank's small business lending in low-income census tracts exceeded demographic data by approximately 10.5 percent. Lending in moderate-income census was comparable with demographic data with a difference of only 1.3 percentage points.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable distribution throughout the AA. The following table shows the bank's geographic distribution of home mortgage lending by census tract income level.

Geographic Distribution of Home Mortgage Loans					
Assessment Area: CBSM AA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2023	3.6	1	3.6	120	2.7
Moderate					
2023	29.5	5	17.9	431	9.8
Middle					
2023	50.7	12	42.9	2,347	53.4
Upper					
2023	16.1	10	35.7	1,500	34.1
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	28	100.0	4,398	100.0
Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

CBSM's lending to low-income tracts was in line with demographic data in 2023. The bank's lending performance in moderate-income tracts was below demographic data, but not to an unreasonable degree. Overall, the geographic distribution of home mortgage loans reflects adequate penetration throughout the AA.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable penetration throughout the AA. The following table shows the bank's geographic distribution of small farm loans by census tract income level.

Geographic Distribution of Small Farm Loans					
Assessment Area: CBSM AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2023	7.6	0	0.0	0	0.0
Moderate					
2023	27.7	1	16.7	32	3.4
Middle					
2023	43.5	3	50.0	343	36.7
Upper					
2023	21.1	2	33.3	560	59.9
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	6	100.0	935	100.0
<i>Source: 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

There were no small farm loans in low-income tracts in 2023. CBSM lending performance in moderate-income tracts trailed demographic data but remains reasonable. As there are only seven low-income CTs in the AA, the lending opportunities in low-income tracts are limited. Overall, the bank's performance is reasonable.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among business and farm customers of different revenue sizes, including individuals of different income levels. This conclusion is supported by reasonable lending performance in small business, small farm, and home mortgage lending.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. The following table shows the distribution of CBSM's small business lending by gross annual revenues.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: CBSM AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2023	89.3	6	31.6	638	31.2
>\$1,000,000					
2023	2.8	13	68.4	1,408	68.8
Revenue Not Available					
2023	7.9	0	0.0	0	0.0
Totals					
2023	100.0	19	100.0	2,046	100.0
Source: 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Lending to businesses with GARs of \$1.0 million or less fell significantly below the demographic data. However, given the low volume of small business loans originated, one or two loans can significantly change the bank's lending percentages to businesses with revenues of \$1.0 million or less.

Demographic data shows that 89.3 percent of businesses in the assessment area report gross annual revenue of less than or equal to \$1.0 million. However, it is important to note that demographic data represents all businesses in the assessment area, not only those seeking traditional bank financing. Smaller businesses tend to seek alternative forms of credit, including credit cards or home equity lines of credit, to finance their operations.

Also, as a measure of demand, 2022 CRA Small Business aggregate lending data was considered, but not directly compared to the bank's performance. In 2022, aggregate lenders originated 27.3 percent of their small business loans to operations with revenues of \$1.0 million or less. Overall, distribution of small business loans reflects adequate performance.

Home Mortgage Loans

The distribution of home mortgage loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels throughout the AA. The following table shows the distribution of CBSM's home mortgage lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: CBSM AA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2023	28.6	1	3.6	120	2.7
Moderate					
2023	21.7	6	21.4	425	9.7
Middle					
2023	20.7	6	21.4	745	16.9
Upper					
2023	29.1	15	53.6	3,108	70.7
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	28	100.0	4,398	100.0
Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

The bank's low-income lending activity in 2023 was substantially less than the percentage of low-income families inside of the institution's AA. Lending activities to moderate-income borrowers aligned with the percentage of moderate-income families inside of the AA.

While the bank's performance is below the percentage of low-income families in the AA, performance context factors were taken into consideration. The AA consists of approximately 9.6 percent of families who are below AA poverty levels, which is an indicator of reduced capacity to borrow. Also, affordability of home mortgage lending to LMI borrowers in the AA appears to be very challenging. Considering the high population living below the poverty level and the housing affordability challenges to LMI borrowers in the AA, the overall performance is reasonable.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among businesses of different revenue sizes. The following table shows the distribution of CBSM's small farm lending by gross annual revenues.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: CBSM AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2023	89.2	5	83.3	435	46.5
>\$1,000,000					
2023	7.3	1	16.7	500	53.5
Revenue Not Available					
2023	3.6	0	0.0	0	0.0
Totals					
2023	100.0	6	100.0	935	100.0
Source: 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

While CBSM's performance is slightly below the demographic data, this benchmark includes a number of small farms answering a survey that are not seeking credit or rely on alternative forms of credit such as credit cards. Overall, CBSM's performance in lending to small farms with GARs of \$1.0 million or less is reasonable.

Response to Complaints

The institution has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the rating.

COMMUNITY DEVELOPMENT TEST

CBSM CD Test performance is rated Satisfactory. CBSM demonstrates adequate responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the AA.

Community Development Loans

During the evaluation period, CBSM originated 64 CD loans totaling \$10.1 million. The institution's volume of CD lending represents 2.5 percent of average total assets and 3.9 percent of average total loans. This is CBSM's first ISB performance evaluation. The following table illustrates CBSM's CD lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	0	0	0	0	0	0	62	9,566	62	9,566
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	1	478	1	50	0	0	2	528
Total	0	0	1	478	1	50	0	0	64	10,094
<i>Source: Bank Data</i>										

The following is a notable example of the bank's CD lending:

- In 2024, CBSM originated a loan for \$478 thousand to purchase a business condo for a non-profit who provides free confidential assistance to those seeking help with pregnancy information, testing, ultrasounds, parenting classes, and post-abortion support.

Qualified Investments

CBSM made 145 qualified investments and donations totaling nearly \$18.0 million. This level of activity represents 4.5 percent of average total assets and 15.0 percent of average total securities since the previous evaluation.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	1	1,564	0	0	0	0	0	0	1	1,564
2022	14	15,261	0	0	1	1,068	0	0	15	16,329
2023										
YTD 2024										
Subtotal	15	16,825	0	0	1	1,068	0	0	16	17,893
Qualified Grants & Donations	0	0	119	64	10	8	0	0	129	72
Total	15	16,825	119	64	11	1,076	0	0	145	17,965
<i>Source: Bank Data</i>										

The following are notable examples of CD investments, including grants and donations in the AA:

- In 2021, CBSM donated \$1,000 to an organization that assists individuals with disabilities in life skills training, job skills training, and employment opportunities.
- In 2021, CBSM donated \$1,000 to an anti-human trafficking agency dedicated to providing safe housing support to exploited women, educating communities, and outreach.

- In 2022, CBSM donated \$5,000 to an organization who has a defined mission of providing small business programs for economic development.
- In 2022, CBSM invested \$1.6 million in a mortgage-backed security focused on providing affordable housing.

Community Development Services

The bank primarily provided CD services for community service organizations. Six employees provided services to eight organizations. The CD services were adequately responsive to the AA needs.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	104	0	0	104
2022	0	161	0	0	161
2023	0	66	0	0	66
2024	0	122	0	0	122
Total	0	453	0	0	453
<i>Source: Bank Data</i>					

The following are notable examples of CD services:

- One employee participated on the Board of a community development organization that supports LMI children and requires a treasurer to make financial and strategic plans.
- One employee volunteered for multiple roles in a non-profit organization, including as board member, which was focused on supporting LMI children.

Additionally, CBSM's corporate office and branch in Santa Maria are in moderate-income CTs. There are also ATMs at each location. The bank offers the same loan and deposit products, and alternative delivery systems noted under the Description of Institution section at these locations. The branch provides adequate responsiveness in availing services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments.
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: 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 Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.