

PUBLIC DISCLOSURE

January 7, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CommerceWest Bank

RSSD # 3052813

**2111 Business Center Drive
Irvine, California 92612**

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
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.....	5
RESPONSE TO COMPLAINTS.....	6
Community Development Test.....	6
Fair Lending or Other Illegal Practices Review.....	7
FULL-SCOPE ASSESSMENT AREA CONCLUSIONS	8
Los Angeles-Orange-Riverside Assessment Area	8
DESCRIPTION OF OPERATIONS IN LOS ANGELES-ORANGE-RIVERSIDE.....	8
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES-ORANGE-RIVERSIDE	14
LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS	18
APPENDICES	
Appendix A: Glossary of Terms	
Appendix B: Limited-Scope Assessment Area Market Profiles	

INSTITUTION RATING

Institution's Community Reinvestment Act (CRA) Rating

CommerceWest 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		
SATISFACTORY	X	X
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio;
- A substantial majority of loans originated within the bank's assessment areas;
- A reasonable geographic distribution of small business loans;
- A reasonable distribution of small business loans to businesses of different sizes; and
- Adequate responsiveness to various community development needs throughout the bank's assessment areas, including affordable housing, economic development, and the revitalization and stabilization of low- and moderate-income geographies.

INSTITUTION

Description of Institution

CommerceWest Bank (CWB) is headquartered in Irvine, California with total assets of \$589.9 million as of September 30, 2018. The bank commenced operations on September 24, 2001, with a national banking charter under the supervision of the Comptroller of the Currency. CWB converted to a state-member bank effective November 30, 2012. The bank is not owned by a bank holding company and is publicly traded on the Over the Counter Bulletin Board with a ticker symbol of CWBK. Since opening, the bank merged with Discovery Bank in 2009 and has grown organically since that time.

CWB focuses on serving the needs of small- to medium-sized businesses in the Southern California market, primarily in Orange, Los Angeles, Riverside, and San Diego counties. In addition to its headquarters in Irvine, California, CWB has one office located in San Marcos (San Diego County). CWB closed its regional office in Gardena in March 2015 and relocated its Newport Beach (Orange County) regional office to the corporate headquarters in March 2017.

CWB is a full-service business bank that offers a wide range of commercial banking services, including lines of credit, working capital loans, commercial real estate loans, and Small Business Administration (SBA) 7(a) and 504 guaranteed loans. Other business services include checking, savings, and money market deposit accounts, as well as remote deposit capture, online banking, a concierge service, and cash and treasury management. The bank does not have proprietary ATMs but offers clients access to the MoneyPass ATM network. Consumer loans and deposit accounts are limited and are provided on an accommodation basis to the bank's business clients.

Exhibit 1 below represents CWB's loan portfolio as stated in the Consolidated Reports of Condition and Income as of September 30, 2018, and reflects the bank's commercial lending focus. All loans secured by one-to-four family residential real estate within the portfolio are for commercial purposes as well.

EXHIBIT 1 LOANS AND LEASES AS OF SEPTEMBER 30, 2018		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	421,010	98.1
Construction & Land Development	85	0.0
Secured by 1-4 Family Residential Real Estate	4,136	1.0
Multi-Family Residential Real Estate	3,492	0.8
Consumer Loans & Credit Cards	291	0.1
Total (Gross)	429,014	100.0

CWB made no changes to its assessment areas since the previous examination and continues to delineate the following assessment areas:

- The Los Angeles-Orange-Riverside assessment area consisting of the following counties in their entirety that are part of the Los Angeles-Long Beach Combined Statistical Area:
 - Los Angeles County, also known as the Los Angeles-Long Beach-Glendale, CA Metropolitan Division (MD);
 - Orange County, also known as the Anaheim-Santa Ana-Irvine, CA MD. The Los Angeles and Orange County MDs compose the Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (MSA); and
 - Riverside County, which is part of the Riverside-San Bernardino-Ontario CA MSA.
- The San Diego assessment area consisting of San Diego County in its entirety, which is also known as the San Diego-Carlsbad, CA MSA.

There were no legal or financial impediments inhibiting the bank's ability to meet the credit and community development needs of its communities. CWB received an overall satisfactory rating at its previous examination conducted by the Federal Reserve Bank of San Francisco as of September 29, 2014, using the *Interagency Intermediate Small Institution CRA Examination Procedures*.

Scope of Examination

CWB's performance was evaluated in accordance with 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 bank's Los Angeles-Orange-Riverside assessment area was subject to a full-scope review as the bank's primary market. The San Diego assessment area received a limited-scope review, given CWB's limited lending volume and deposit share within this assessment area.

LENDING TEST

The lending test evaluation was based on the following performance criteria:

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

Responsiveness to consumer complaints was not evaluated as CWB did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business loans originated between July 1, 2017, and June 30, 2018. A total of 70 small business loans were used in the evaluation of Lending in the Assessment Area. Of that total, 63 small business loans were extended within the bank's assessment

areas. Of these, 59 small business loans were used in the evaluation of Lending Distribution by Geography and all 63 were used in the evaluation of Lending Distribution by Business Revenue.¹

COMMUNITY DEVELOPMENT TEST

The community development test portion of the examination included an evaluation of the responsiveness of CWB's 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, and services from September 29, 2014, through January 7, 2019.

¹ Four loans in the small business loan sample utilized were located in census tracts with unknown income levels.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

CWB's overall performance under the lending test is satisfactory. Lending levels relative to the bank's deposits are reasonable during the review period, and a substantial majority of loans are extended within the bank's assessment areas. The geographic distribution of small business loans reflected reasonable penetration in low- and moderate-income census tracts. In addition, the distribution of loans among businesses of different revenue sizes is reasonable.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio is reasonable. As of September 30, 2018, the bank's 16-quarter average loan-to-deposit ratio was 76.8 percent. This ratio compares appropriately with the state average of 83.7 percent and national average of 80.8 percent.

LENDING IN ASSESSMENT AREA

A substantial majority of the bank's small business loans were originated within the bank's assessment areas, as reflected in Exhibit 2 below. The high percentage of lending within the assessment area indicates that the bank is effectively engaging in lending within its defined markets.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS JULY 1, 2017 TO JUNE 30, 2018								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	63	90.0	22,354	94.2	7	10.0	1,365	5.8
Total Business-Related	63	90.0	22,354	94.2	7	10.0	1,365	5.8
Total Loans	63	90.0	22,354	94.2	7	10.0	1,365	5.8

GEOGRAPHIC AND BORROWER DISTRIBUTION

Overall, CWB's geographic distribution of lending is reasonable as loans were distributed throughout the bank's assessment areas. Lending dispersion in low- and moderate-income census tracts was reasonable and particularly strong in the Los Angeles-Orange-Riverside assessment area relative to the aggregate market. However, the San Diego assessment area reflects low penetration of loans in low-income census tracts. The distribution of loans to businesses of different sizes is comparable to the distribution of small businesses in the assessment areas and the performance of other lenders. The bank affirmatively responded to the identified need for smaller dollar loans by extending a high percentage of small business loans in amounts of \$250,000 and below, particularly in the San Diego Assessment Area.

RESPONSE TO COMPLAINTS

CWB 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

CWB’s performance under the community development test is satisfactory. The bank’s community development performance demonstrates an adequate level of responsiveness to local community needs through qualified community development loans, investments, and services. CWB’s community development loans helped to address the needs for affordable housing, economic development, and the revitalization and stabilization of low- and moderate-income geographies. In total, these community development loans provided 85 affordable housing units and helped create or retain 953 jobs in low- and moderate-income areas or for low- and moderate-income individuals.

The bank’s community development investments supported minority- and women-owned institutions, as well as municipal bonds that helped fund community development needs in the bank’s assessment areas. CWB’s donations primarily targeted organizations involved in community services that assist low- and moderate-income individuals. Community development services were provided to organizations engaging in social services to low- and moderate-income children, youth, and individuals in the bank’s assessment areas.

An overview of the bank’s community development activities is listed in Exhibit 3. The details of these activities are discussed under each applicable assessment area.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES						
Assessment Areas	Loans		Investments & Donations		Services	
	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Los Angeles-Orange-Riverside AA	34	53,662	33	7,284	305	1,120
San Diego AA	5	4,560	0	0	2	10
Broader Statewide or Regional Area	1	2,000	1	2	0	0
Total	40	60,222	34	7,287	307	1,130

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, a review of CWB's compliance with consumer protection laws and regulations was conducted. That review found no violations of the substantive provisions of anti-discrimination, fair lending, or other illegal credit practice rules, laws, or regulations that were inconsistent with helping to meet community credit needs.

FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

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

Los Angeles-Orange-Riverside Assessment Area

DESCRIPTION OF OPERATIONS IN LOS ANGELES-ORANGE-RIVERSIDE

The assessment area consists of Los Angeles, Orange, and Riverside counties in their entireties. Los Angeles and Orange counties compose the Los Angeles-Long Beach-Anaheim MSA. Riverside County is part of the Riverside-San Bernardino-Ontario MSA. As of July 1, 2017, the three-county assessment area was home to more than fifteen million people.² With a population of more than 10 million, Los Angeles is the most populous county in California, and Orange County is the third-most populous with over 3 million people.

As of June 30, 2018, the assessment area had 129 Federal Deposit Insurance Corporation-insured commercial institutions operating 2,716 offices. CWB operated one branch in the assessment area, which had total deposits of \$413.3 million, representing 0.07 percent of the market.³

Exhibit 4 on the following page presents key demographic and business information used to help develop a performance context for the assessment area. This information was gathered from 2010 U.S. Census and 2018 Dun and Bradstreet data.

² U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2017; available from: www.census.gov/quickfacts/.

³ 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 LOS ANGELES-ORANGE-RIVERSIDE ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 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	283	8.4	241,395	7.0	86,269	35.7	820,015	23.9
Moderate-income	952	28.1	913,476	26.6	197,979	21.7	561,801	16.4
Middle-income	926	27.4	952,241	27.8	101,266	10.6	591,759	17.3
Upper-income	1,165	34.4	1,317,992	38.4	60,840	4.6	1,454,763	42.4
Tract not reported	56	1.7	3,234	0.1	609	18.8	0	0.0
Total AA	3,382	100.0	3,428,338	100.0	446,963	13.0	3,428,338	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract Income						
		Owner-Occupied		Renter-occupied		Vacant		
		#	%	%	#	%	#	%
Low-income	372,261	65,628	2.6	17.6	281,149	75.5	25,484	6.8
Moderate-income	1,379,354	456,960	18.0	33.1	826,351	59.9	96,043	7.0
Middle-income	1,478,202	735,580	29.0	49.8	634,332	42.9	108,290	7.3
Upper-income	2,107,607	1,275,539	50.3	60.5	679,046	32.2	153,022	7.3
Tract not reported	19,258	1,462	0.1	7.6	15,607	81.0	2,189	11.4
Total AA	5,356,682	2,535,169	100.0	47.3	2,436,485	45.5	385,028	7.2
Income Categories	Total Businesses by Tract	Businesses by Tract Income & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	30,732	4.8	26,915	4.7	3,686	6.0	131	4.7
Moderate-income	127,293	20.0	112,520	19.7	14,279	23.1	494	17.6
Middle-income	170,659	26.9	151,359	26.5	18,626	30.1	674	24.0
Upper-income	296,654	46.7	272,353	47.7	22,881	37.0	1,420	50.6
Tract not reported	9,830	1.5	7,319	1.3	2,421	3.9	90	3.2
Total AA	635,168	100.0	570,466	100.0	61,893	100.0	2,809	100.0
Percentage of Total Businesses		89.8		9.7		0.4		
2018 Median Family Income ⁴			Sep 2018 Median Housing Value ⁵					
Los Angeles County			\$62,703		Los Angeles County		\$634,680	
Orange County			\$86,003		Orange County		\$825,000	
Riverside County			\$61,507		Riverside County		\$405,950	
2018 Adjusted Median Family Income ⁶			Sep 2018 Unemployment Rate ⁷					
Los Angeles County			\$69,300		Los Angeles County		4.8%	
Orange County			\$92,700		Orange County		2.8%	
Riverside County			\$65,800		Riverside County		4.3%	

⁴ FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁵ California Association of Realtors, Historical Housing Data, and Median Prices of Existing Detached Homes; available from: <https://www.car.org/en/marketdata/data/housingdata>.

⁶ FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

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

Economic Conditions

During the review period, the assessment area experienced overall economic growth. The assessment area's well-diversified economy and labor market growth contributed to its economic expansion. Los Angeles County experienced economic expansion due to dynamic job and income growth. Primary drivers of the economy were technology, trade, healthcare, and construction.⁸ Silicon Beach in Los Angeles enjoyed technology center spillover from the Bay Area, and growth in the technology cluster greatly affected the area's labor market, real estate markets, and incomes.⁹

Orange County serves as the hub for financial services for Southern California, but its well-diversified economy experienced growth driven by professional services and the technology industry. Orange County has higher employment concentrations than the national average in 15 out of 19 high-tech industries, making it the third most diverse high-tech economy in the nation.¹⁰ With abundant office space, low business costs, and a highly trained, well-educated labor force, the assessment area is becoming more of a technology hub as startup incubators and the availability of venture capital help entrepreneurs branch out.¹¹

Similarly, Riverside County also experienced economic and job growth due to the region's rapidly growing transportation, logistics, and construction sectors. The metropolitan area is one of the top five warehousing hubs nationwide by employment share. Comparative advantages in transportation, distribution, warehousing, and logistics, as well as lower business and housing costs compared to nearby California coastal areas, drove more firms and workers to the assessment area.¹²

Economic improvements in the assessment area can be seen in small business lending for portions of the review period. As depicted in Exhibit 5 on the following page, a review of small business loan data reported by banks subject to the CRA shows that, consistent with the economic growth, small business lending increased notably during the first half of the review period and leveled off in 2017. Nevertheless, CRA-reportable small business lending remained well below pre-recession levels. Lending to small businesses plays a critical role in the economy given that small businesses represented 89.8 percent of all businesses in the assessment area as depicted in Exhibit 4.

⁸ Moody's Précis Report, Los Angeles-Long Beach-Glendale, April 2017.

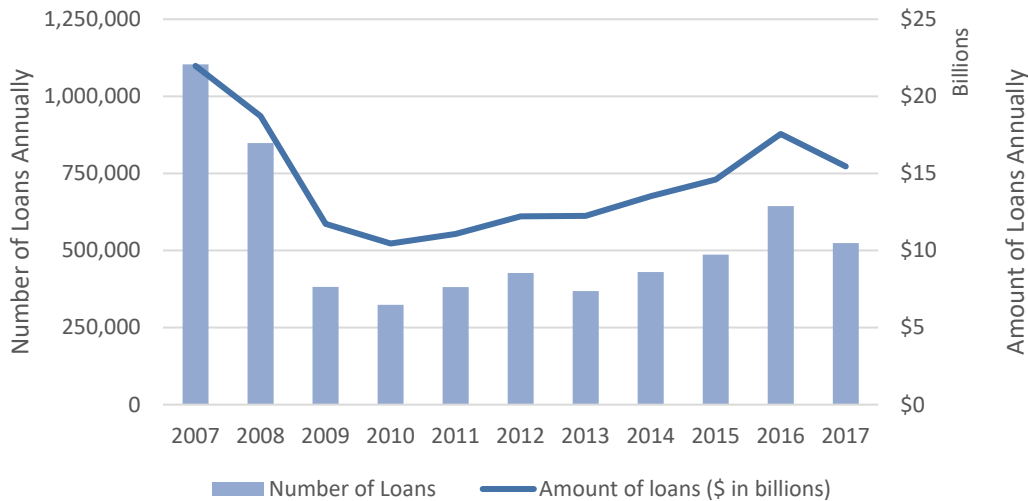
⁹ Ibid.

¹⁰ Orange County Community Indicators Project, Community Indicators 2016.

¹¹ JLL, U.S. Technology Office Outlook, Summer 2016; available from: <http://www.us.jll.com/united-states/en-us/Research/US-Technology-Outlook-2016-JLL.pdf>.

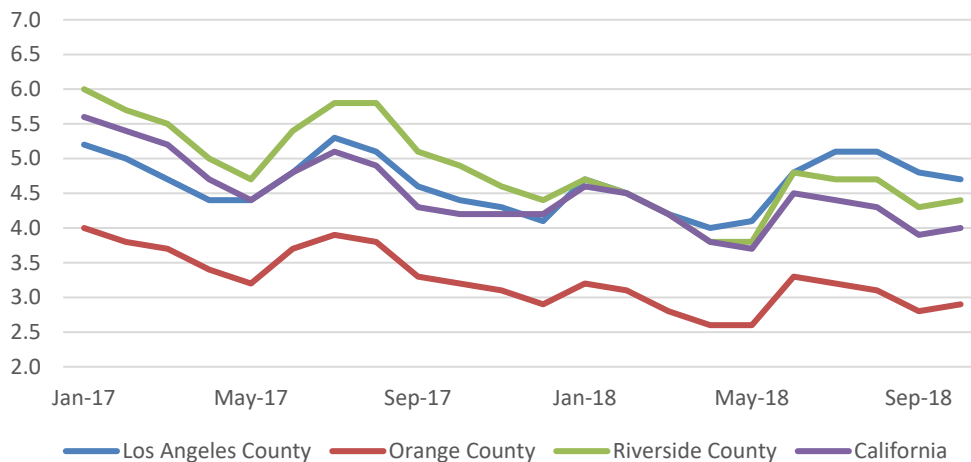
¹² Moody's Précis Report, Riverside-San Bernardino-Ontario, April 2017.

Exhibit 5
Loans to Small Businesses in Assessment Area¹³
2007-2017



As depicted in Exhibit 6, unemployment rates remained low during the review period and decreased steadily in all counties. In September 2018, Orange County’s unemployment rate was the lowest at 2.8 percent, while Los Angeles and Riverside counties had rates similar to the statewide rate.

Exhibit 6
Unemployment Rate¹⁴
2017-2018



As depicted in Exhibit 7 on the following page, home prices are higher in Orange County and lower in Riverside County, in comparison to the statewide rate. The median home price in Los Angeles County is similar to the statewide rate. As of July 2018, the median home price was \$829,000 in Orange County,

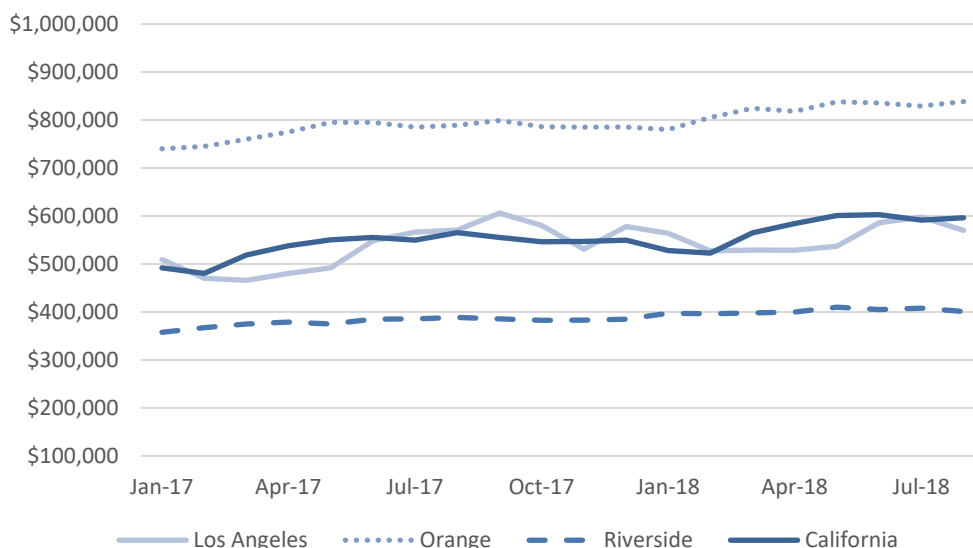
¹³ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national.aspx>.

¹⁴ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

\$597,520 in Los Angeles County, \$408,000 in Riverside County, and \$591,460 in California. With rising housing prices, home ownership has become increasingly less accessible to households, especially in Southern California. Orange County is currently the least affordable place to live in Southern California. According to the California Association of Realtors’ Traditional Housing Affordability Index, 20 percent of families in Orange County, 26 percent in Los Angeles County, and 37 percent in Riverside County can afford to purchase the median priced home in their region compared to 53 percent of families in the U.S.¹⁵

In addition to rising housing costs, rental prices have also increased, causing renting a home to be more unaffordable, especially for low-income households. In 2018, the average apartment rent in Los Angeles County reached a record high of \$2,267 per month, increasing 1.1 percent from the previous year.¹⁶ While Los Angeles County had among the highest rents compared to other counties in Southern California, it had the second lowest household income in the Southern California region; thus, its share of rent-burdened households, for whom more than 30 percent of their income goes to rent, stood at 58.3 percent in 2017.¹⁷ Similarly, Orange County’s share of rent-burdened households stood at 57.7 percent.¹⁸ Despite the fact that the Inland Empire, which includes Riverside County, had the lowest rents in Southern California, its residents faced the highest rent burden across all of the Southern California metro areas.¹⁹

Exhibit 7
Median Home Prices²⁰
2017-2018



¹⁵ California Association of Realtors, Housing Affordability Index-Traditional, 2018 Q2; available from: <http://www.car.org/marketdata/data/haitraditional/>.

¹⁶ University of Southern California Lusk, Casden Real Estate Economics Forecast, 2018 Multifamily Forecast Report.

¹⁷ Ibid.

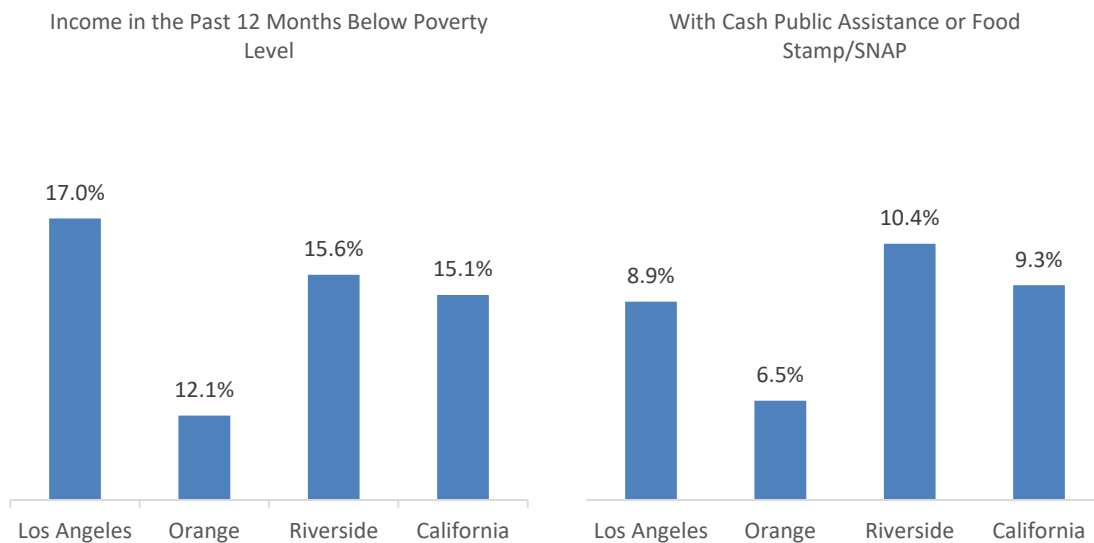
¹⁸ Ibid.

¹⁹ Ibid.

²⁰ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/en/marketdata/data/housingdata>.

As depicted in Exhibit 8 below, the percentage of households living below the poverty level and the percentage of households on food stamps in Los Angeles County and Riverside County were generally consistent with California’s statewide rates. According to the Supplemental Poverty Measure (SPM), which factors in regional cost-of-living, government assistance programs, and housing costs, about 20 percent of people in California live in poverty, a greater share of people than in any other state.²¹ In Orange County, though the poverty and food stamp rates are lower than those of Los Angeles and Riverside Counties, more residents are being pushed into poverty and homelessness due to the region’s housing crisis. In the past four years, there has been a 54 percent increase in homeless people living on the streets.²² In addition, 40.6 percent of all households in the greater LA metro are liquid asset poor. The liquid asset poverty rate represents the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income.²³

Exhibit 8
Poverty and Food Stamp Rates²⁴
2017



Credit and Community Development Needs

The economic data previously discussed, as well as feedback from community contacts, indicates 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. As previously mentioned, CRA reportable small business lending levels are improving but remain below levels experienced prior to the Great Recession. According to the 2017 Small Business Credit Survey (SBCS), 70 percent of smaller firms (annual revenues

²¹ U.S. Census Bureau, The Supplemental Poverty Measure: 2016; available from: <http://www.census.gov/library/publications/2017/demo/p60-261.html>.

²² Orange County Point in Time (PIT) Count 2017; available from: <http://www.ocgov.com/civicax/filebank/blobdload.aspx?BlobID=64596>.

²³ Prosperity Now, Scorecard, Los Angeles Metro; available from: <https://scorecard.prosperitynow.org/data-by-location>.

²⁴ U.S. Census Bureau, American Community Survey, 5-Year Estimates, DP03, 2017; available from: <http://factfinder2.census.gov>.

of \$100,000 or less) experienced financing shortfalls and obtained less than the amount of financing sought more often than larger firms.²⁵ Of the financing and credit products sought by businesses, 87 percent of applicants applied for either a business loan or line of credit.²⁶ In addition, a majority of firms applied for financing in amounts of less than \$100,000 to expand their business or pursue a new opportunity.²⁷ Overall, there is a general need for more access to credit and smaller dollar loans.

The rising cost of housing and rent evidences the need for affordable housing development and financing within the assessment area. In addition to high cost and low affordability, the assessment area faces a shortage of affordable housing and rental units. According to the National Low Income Housing Coalition, for every 100 households who need affordable housing, there are only 17 affordable and available units in the Los Angeles-Long Beach-Anaheim MSA and 20 units in the Riverside-San Bernardino-Ontario MSA²⁸ that are at or below the extremely low-income threshold. The extremely low-income threshold is defined as incomes at or below the poverty level or 30 percent of the area median income. As housing and rental markets remain undersupplied, residents with lower-paying jobs will continue to be priced out of the market and overcrowding and homelessness will continue to grow.

Finally, the prevalence of poverty highlights the importance of community service organizations within the bank's communities. There is an opportunity for banks to support a 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. A review of community contact information indicates that some of the most impactful activities by banks are affordable housing endeavors in the form of grants, special loan products, advocacy work, and classes and education around home ownership and financial literacy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES-ORANGE-RIVERSIDE

Lending Test

Overall lending test performance in the Los Angeles-Orange-Riverside assessment area is satisfactory. A substantial majority of small business loans were made within this assessment area. CWB's lending showed a reasonable dispersion of loans in low- and moderate-income geographies in the assessment area and an adequate distribution of lending to businesses of different sizes.

Lending Distribution by Geography

The geographic distribution of small business loans is reasonable. As shown in Exhibit 9 on the following page, CWB's small business lending closely corresponded to the business concentration and the performance of aggregate lenders operating within the assessment area in 2017. The bank's 2018

²⁵ 2017 Small Business Credit Survey, Report on Employer Firms, available from:

<https://fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2018/sbcs-employer-firms-report.pdf>.

²⁶ Ibid.

²⁷ Ibid.

²⁸ National Low Income Housing Coalition, The Gap: A Shortage of Affordable Rental Homes, March 2018; available from: www.nlihc.org/sites/default/files/gap/gap-report_2018.pdf.

lending reflected stronger dispersion in low- and moderate-income geographies relative to its performance in 2017, where lending exceeded the percentage of business concentration in these areas.

EXHIBIT 9 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Los Angeles-Orange-Riverside Assessment Area 2017								
Bank Lending	1	4.5	4	18.2	9	40.9	8	36.4
Aggregate Lending	20,970	4.5	93,320	20.0	125,124	26.9	226,482	48.6
Business Concentration	30,732	4.9	127,293	20.4	170,659	27.3	296,654	47.4
Los Angeles-Orange-Riverside Assessment Area 2018								
Bank Lending	2	7.1	8	28.6	9	32.1	9	32.1
Aggregate Lending	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Business Concentration	37,799	4.9	158,479	20.5	209,935	27.1	368,339	47.6

Lending Distribution by Business Revenue

The distribution of small business loans by business revenue is reasonable. As shown in Exhibit 10 below, CWB’s percentage of lending to businesses with gross annual revenues of \$1 million or less in 2017 was in line relative to the performance of aggregate lenders operating within the assessment area. The bank’s 2018 small business lending is notably less than the percentage of small businesses; however, the bank’s performance is reasonable in light of significant competition within the assessment area. In addition, a considerable percentage of loans were made in amounts of \$250,000 or less. CWB’s performance was responsive to the identified needs for small business credit and smaller dollar loans.

EXHIBIT 10 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 (%)
2017	22	45.5	89.8	52.9	22.7	27.3	50.0
2018	32	28.1	91.3	N/A	21.9	18.8	59.4

Community Development Test

The bank’s community development performance demonstrates adequate responsiveness to the needs of this assessment area. Community development loans, investments, and services were directed to help address the needs of economic development, affordable housing, revitalization and stabilization of low- and moderate-income geographies, and community services to low- and moderate-income individuals. Details regarding the level and types of activities are presented in Exhibit 3 on page 6 and are further detailed below.

Community Development Lending

CWB originated 34 community development loans totaling \$53.6 million within the assessment area. This included 28 loans totaling \$35.5 million that helped retain or create approximately 904 jobs. The bank extended five loans totaling \$15.2 million that promoted the revitalization and stabilization of low- and moderate-income communities in the assessment area. Notable loans include:

- Two working capital loans totaling \$6.9 million used to support economic development for a sheet metal manufacturing company that maintains 125 jobs for predominantly low- and moderate- income individuals within a moderate-income census tract in Orange County.
- A \$3 million loan to refinance a historic theater that anchors a downtown business district and is located in a moderate-income geography in Los Angeles County. The loan proceeds promote the community's plans for the revitalization and stabilization of that moderate-income geography.
- A \$3 million loan to refinance a mobile home park that promoted the retention of 66 affordable housing units for low- and moderate-income families and individuals in Los Angeles County, thereby helping to address an identified need for affordable housing.
- A working capital loan and an SBA 7a term loan totaling \$2.5 million to a woman-owned drywall and insulation contracting company that employs 100 predominantly low- and moderate-income individuals and supports economic development.

Community Development Investments

The bank made 17 investments totaling \$7 million and 16 donations totaling \$288,298 in this assessment area during the review period. Examples of the qualified investments and donations are provided below:

- 11 certificates of deposit totaling \$2.7 million in minority- and women-owned financial institutions that help promote economic development of underserved areas within the bank's assessment area.
- A municipal bond investment in the amount of \$1.4 million to support a school district for site and facility improvements where the majority of students are low- and moderate-income children.
- An in-kind donation valued at \$242,000, consisting of leather purses, wallets, and gloves to an organization that helps low- and moderate-income individuals acquire skills and resources to become employed and economically independent. The donation was particularly innovative and impactful to the more than 9,000 low- and moderate-income individuals seeking employment through this organization annually.

Community Development Services

The bank provided a total of 1,120 hours of community development services to organizations involved in providing community services for low- and moderate-income individuals and promoting economic development for small businesses within the assessment area. Examples of those services are listed as follows:

- A total of 40 employees provided 460 hours of service for an organization that promotes financial literacy education, workforce readiness, and entrepreneurship education to elementary school children in low- and moderate-income geographies in the bank's assessment area.
- One employee provided 101 hours of service to assist low- and moderate-income individuals with their income taxes through the Volunteer Income Tax Assistance (VITA) program.
- A member of senior management served 101 hours on a loan committee for a non-profit organization that provides guarantees for small business loans to promote economic development in underserved communities.
- A member of senior management provided 54 hours as the treasurer and chair of a finance and audit committee for an organization that empowers low- and moderate-income individuals for economic self-sufficiency and promotes economic development of small businesses.

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

CWB's performance in the San Diego assessment area received a limited-scope review. Due to the bank's limited presence in this market and lower percentage of loans and deposits, performance in this assessment area received less weight than the Los Angeles-Orange-Riverside assessment area. The performance in the San Diego assessment area did not materially affect the bank's overall rating. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

EXHIBIT 11 LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS		
ASSESSMENT AREA	LENDING TEST	COMMUNITY DEVELOPMENT TEST
San Diego	Consistent	Consistent

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 PROFILE

San Diego Assessment Area

The San Diego assessment area consists of the San Diego-Carlsbad MSA, which is made up of San Diego County. San Diego County is the southwestern-most region of Southern California and lies along the U.S.-Mexico border. As of July 1, 2017, the county was home to more than 3 million people.¹

As of June 30, 2018, the San Diego assessment area had 53 Federal Deposit Insurance Corporation-insured commercial institutions operating 590 offices. CWB operated one branch in the assessment area, which had total deposits of \$70.6 million, representing 0.08 percent of the market.²

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

¹ U.S. Census Bureau, 2017 Population Estimates, San Diego County; available from: <http://quickfacts.census.gov/qfd/index.html>.

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

EXHIBIT 12 ASSESSMENT AREA DEMOGRAPHICS SAN DIEGO 2018 2010 U.S. CENSUS AND 2018 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	61	9.7	57,401	7.8	18,951	33.0	172,423	23.6
Moderate-income	142	22.6	158,623	21.7	25,027	15.8	123,833	16.9
Middle-income	204	32.5	236,551	32.3	20,679	8.7	130,363	17.8
Upper-income	214	34.1	278,708	38.1	13,088	4.7	304,709	41.7
Tract not reported	7	1.1	45	0.0	0	0.0	0	0.0
Total AA	628	100.0	731,328	100.0	77,745	10.6	731,328	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract Income						
		Owner-Occupied		Renter-occupied		Vacant		
		#	%	%	#	%	#	%
Low-income	90,459	16,148	2.8	17.9	67,684	74.8	6,627	7.3
Moderate-income	255,834	87,646	15.1	34.3	148,426	58.0	19,762	7.7
Middle-income	403,508	205,291	35.5	50.9	168,950	41.9	29,267	7.3
Upper-income	430,949	269,968	46.6	62.6	129,999	30.2	30,982	7.2
Tract not reported	56	26	0.0	46.4	19	33.9	11	19.6
Total AA	1,180,806	579,079	100.0	49.0	515,078	43.6	86,649	7.3
Income Categories	Total Businesses by Tract	Businesses by Tract Income & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	%	#	%	#	%
Low-income	8,129	5.4	7,326	5.3	763	6.1	40	5.8
Moderate-income	23,095	15.3	21,185	15.4	1,811	14.5	99	14.5
Middle-income	53,182	35.3	48,186	35.0	4,775	38.3	221	32.3
Upper-income	66,243	43.9	60,819	44.2	5,102	40.9	322	47.1
Tract not reported	126	0.1	105	0.1	19	0.2	2	0.3
Total AA	150,775	100.0	137,621	100.0	12,470	100.0	684	100.0
Percentage of Total Businesses			91.3		8.3		0.5	
2018 Median Family Income ³			\$81,841		Aug 2018 Median Housing Value ⁴		\$660,000	
2018 HUD Adjusted Median Family Income ⁵			\$81,800		Sep 2018 Unemployment Rate ⁶		3.2%	

³ FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁴ California Association of Realtors, Historical Housing Data, and Median Prices of Existing Detached Homes; available from: <https://www.car.org/en/marketdata/data/housingdata>.

⁵ U.S. Department of Housing and Urban Development, Adjusted Median Family Income; available from: <http://www.huduser.org/portal/datasets/il/il13/index.html>.

⁶ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

EXHIBIT 13 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
SAN DIEGO Assessment Area 2017								
Bank Lending	0	0.0	1	20.0	2	40.0	2	40.0
Aggregate Lending	4,272	4.7	12,978	14.4	31,452	34.9	41,411	46.0
Business Concentration	8,129	5.4	23,095	15.3	53,182	35.3	66,243	44.0
SAN DIEGO Assessment Area 2018								
Bank Lending	0	0.0	0	0.0	1	25.0	3	75.0
Aggregate Lending	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Business Concentration	10,044	5.7	27,846	15.7	62,728	35.4	76,786	43.3

EXHIBIT 14 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Lending to Businesses with Revenue <=\$1 Million					Originations Regardless of Revenue Size by Loan Amount		
Year	Bank Lending #	Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2017	5	60.0	91.3	51.3	40.0	20.0	40.0
2018	4	25.0	92.2	N/A	25.0	50.0	25.0