

# **PUBLIC DISCLOSURE**

**July 21, 2008**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Alta Alliance Bank  
RSSD #3454613**

**1951 Webster Street  
Oakland, California 94612**

**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 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***

Alta Alliance Bank is rated Satisfactory.

The major factors supporting the institution's rating include:

- Reasonable loan-to-deposit ratio;
- Majority of loans made within the assessment area;
- Good penetration of loans made to businesses with gross annual revenues of \$1 million or less; and
- Good geographic distribution of small business loans, with particularly strong penetration in low-income census tracts.

## INSTITUTION

### *Description of Institution*

Alta Alliance Bank is a de novo institution headquartered in Oakland, California, with total assets of \$102.8 million as of March 31, 2008. The bank was established on October 16, 2006 and is a wholly-owned subsidiary of Western Alliance Bancorp, Las Vegas, Nevada, a multi-bank holding company with consolidated total assets of \$5.2 billion as of first quarter 2008.

The bank operates two branch offices, one in Oakland and the other in Piedmont. It offers automated teller machine (ATM) services at the two branch locations and at an offsite ATM located at the Castlewood Country Club in Pleasanton. The Oakland branch operates as a full service ATM, while the other two ATMs are limited to cash withdrawals. The bank also operates one loan production office in Pleasant Hill, which opened in May 2008; it closed the Walnut Creek loan production office in December 2007.

Alta Alliance Bank is a full service, community-based bank which offers products directed principally to small- and medium-sized businesses. Such products include secured and unsecured credit, term credit for fixed asset and equipment purchases, letters of credit, and financing for commercial real estate. The bank also provides consumer loan products such as residential mortgage, auto and installment loans, and lines of credit, primarily as an accommodation for its business clients.

Below is the March 31, 2008, loan portfolio as stated in the Consolidated Reports of Condition and Income, which shows the bank's commercial lending focus.

EXHIBIT 1		
LOAN TYPE	DOLLAR AMOUNT (‘000s)	PERCENT OF VALUE
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$29,471	64.4%
Secured by 1-4 Family Residential Real Estate	\$14,352	31.4%
Construction & Land Development	\$859	1.9%
Consumer Loans & Credit Cards	\$588	1.3%
Multifamily	\$461	1.0%
All Other Loans and Leases	\$29	0.1%
<b>Total (Gross)</b>	<b>\$45,760</b>	<b>100.0%</b>

The bank faces no legal or financial impediments that would prevent it from helping to meet the credit needs of its assessment area consistent with its business strategy, size, financial capacity, and local economic conditions. This is the bank's first Community Reinvestment Act (CRA) examination.

## ***Description of Assessment Area***

Alta Alliance Bank's single assessment area is located in the San Francisco Bay Area and consists of the whole counties of Alameda and Contra Costa. These counties represent the Oakland-Fremont-Hayward, CA Metropolitan Division (Oakland MD) and constitute a portion of the San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area. The assessment area is located just east of the San Francisco Bay and is one of the busiest urban centers in California. Based on U.S Census estimates, the combined 2007 county population of Alameda and Contra Costa is 2,568,489.

The bank has a limited presence within its highly competitive assessment area. There were a total of 54 Federal Deposit Insurance Corporation (FDIC) - insured institutions operating 519 offices in Alameda and Contra Costa counties as of June 30, 2007. Alta Alliance Bank's deposit market share was 0.09 percent, ranking the bank 43<sup>rd</sup> among active depository institutions.<sup>1</sup> There were also a total of 119 lenders that reported small business loans under the CRA. In 2007, these lenders extended a total of 159,224 small business loans totaling \$3.52 billion in the bank's assessment area.

Exhibit 2 contains key demographic and business information from the 2000 U.S. Census and 2007 Dun and Bradstreet data that was used to help develop a performance context for the assessment area.

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<sup>1</sup> FDIC, Institution Directory, Deposit Market Share Report, Summary of Deposits, June 30, 2007, accessed on June 27, 2008; available from <http://www2fdic.gov/sod/sodMarketRpt.asp?barItem=2andPrint=Y>

EXHIBIT 2 ASSESSMENT AREA DEMOGRAPHICS ALAMEDA AND CONTRA COSTA COUNTIES								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	52	10.6	41,579	7.1	10,879	26.2	121,546	20.7
Moderate-income	103	21.1	106,625	18.2	13,851	13.0	101,521	17.3
Middle-income	191	39.1	242,151	41.3	10,745	4.4	123,824	21.1
Upper-income	142	29.0	195,664	33.4	3,939	2.0	239,128	40.8
Tract not reported	1	0.2	0	0.0	0	0.0	0	0.0
<i>Total AA</i>	<i>489</i>	<i>100.0</i>	<i>586,019</i>	<i>100.0</i>	<i>39,414</i>	<i>6.7</i>	<i>586,019</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	71,037	18,298	3.5	25.8	48,515	68.3	4,224	5.9
Moderate-income	177,627	68,560	13.1	38.6	102,340	57.6	6,727	3.8
Middle-income	380,814	228,679	43.6	60.1	142,111	37.3	10,024	2.6
Upper-income	265,248	209,165	39.9	78.9	49,793	18.8	6,290	2.4
Tract not reported	34	17	0.0	50.0	17	50.0	0	0.0
<i>Total AA</i>	<i>894,760</i>	<i>524,719</i>	<i>100.0</i>	<i>58.6</i>	<i>342,776</i>	<i>38.3</i>	<i>27,265</i>	<i>3.0</i>
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	10,261	10.6	8,744	10.2	1,202	12.8	315	15.3
Moderate-income	16,414	17.0	14,780	17.3	1,239	13.2	395	19.2
Middle-income	37,635	38.9	33,208	38.9	3,589	38.4	838	40.7
Upper-income	32,371	33.5	28,546	33.5	3,316	35.4	509	24.7
Tract not reported	67	0.1	52	0.1	11	0.1	4	0.2
<i>Total AA</i>	<i>96,748</i>	<i>100.0</i>	<i>85,330</i>	<i>100.0</i>	<i>9,357</i>	<i>100.0</i>	<i>2,061</i>	<i>100.0</i>
<b>Percentage of Total Businesses:</b>		<b>88.2</b>		<b>9.7</b>		<b>2.1</b>		
Median Family Income 2000 Oakland-Fremont-Hayward, CA MD: <sup>3</sup>				\$68,346	June 2008 Median Housing Value <sup>2</sup> Alameda County: \$455,000 Contra Costa County: \$378,000			
2007 HUD Adjusted Median Family Income Oakland-Fremont-Hayward, CA MD: <sup>5</sup>				\$83,000	May 2008 Unemployment Rate <sup>4</sup> Oakland-Fremont-Hayward, CA MD: 5.7%			

The assessment area has a diverse economic base with leading industries consisting of business and health care services, transportation, food processing, light manufacturing, government,

<sup>2</sup> Bay Area Median Price Dives Below \$500K, DQ News.Com Custom Report, July 17, 2008, Available at: <http://www.dqnews.com/News/California/Bay-Area/RRBay080717.aspx> (accessed 07/17/08)

<sup>3</sup> 2000 U.S. Census data

<sup>4</sup> Labor Force & Industry Employment Data for Metropolitan Areas, Oakland-Fremont-Hayward MD, Employment Development Department, Labor Market Information Division, Available at: [http://www.calmis.ca.gov/file/lfmonth/oak\\$pd\\$pdf](http://www.calmis.ca.gov/file/lfmonth/oak$pd$pdf) (accessed June 27, 2008)

<sup>5</sup> Department of Housing and Urban Development data

public and private education, arts, culture, and entertainment. The Port of Oakland is one of the busiest ports in the world for container ships. Nearly 200,000 jobs are related to the movement of cargo through Oakland marine terminals.<sup>6</sup> Major employers in the area include Kaiser Foundation Health Plan, Inc., SBC Communication, Inc., Alameda County, University of California at Berkeley, and Contra Costa County.<sup>7</sup>

The assessment area economy expanded steadily through the review period until the end of 2007.<sup>8</sup> By December 2007, the Oakland MD was the weakest among the major Bay Area economies and the only one that experienced declines in total employment during the second half of the year. The housing market is to blame for much of the weakness as more distant suburban areas were exposed to subprime lending and losses in construction accounted for much of the employment decline. Additionally, a number of lenders closed loan processing centers located in the area. Further evidence of the weakening labor market is the rise in the jobless rate of nearly one percentage point since the year's first quarter.<sup>9</sup>

By the first quarter of 2008, the economy was at risk of falling into recession as the unemployment rate rose and payroll employment fell with virtually no net gain in employment. The downturn was concentrated largely in housing and mortgage finance industries as foreclosures increased and mortgage finance jobs disappeared. Conversely, lending support to the economy, the California State University system expanded over the past two years, replacing half the jobs that were lost following the State's budget crisis of 2003.<sup>10</sup>

Notwithstanding the status of the overall economy, small businesses continue to be a major force within the local economy. As seen in Exhibit 2, of the 96,748 businesses located in the assessment area, 88 percent had gross annual revenues of \$1 million or less and are considered small businesses. As such, meeting the credit needs of these small businesses is critical to the assessment area. Interviews with members of the local community suggest that small business credit is difficult to obtain as bank's have tightened their lending standards in response to the economic situation. In addition to direct lending, including loans in small dollar amounts, technical assistance programs for small businesses was also noted as a significant need within the assessment area.

As with most of California, housing affordability is a major concern within the assessment area. According to the California Association of Realtors, the housing affordability index for Alameda and Contra Costa counties ranged from 25 and 23 percent, respectively in the fourth quarter of 2006 and rose slightly to 34 and 31 percent by the first quarter of 2008.<sup>11</sup> The affordability index reflects the percentage of families earning the county median income who can afford to purchase a home. The high price of homes relative to median income is the main factor for lack of

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<sup>6</sup> City Data.com, Cities of the United States, the West, accessed July 24, 2008; available from <http://www.city-data.com/us-cities/The-West/Oakland-Economy.html>

<sup>7</sup> Ibid.

<sup>8</sup> *Precis Metro: Oakland* (Moody's Economy.com, December 2006 to December 2007).

<sup>9</sup> *Precis Metro: Oakland* (Moody's Economy.com, December 2007).

<sup>10</sup> *Precis Metro: Oakland* (Moody's Economy.com, April 2008).

<sup>11</sup> California Association of Realtors®, *Trends in California Real Estate*, Volume 29, Number 3, March 2008 and Volume 29, Number 6, June 2008.

affordability; however, the recent tightening of credit standards has reduced the pool of potential buyers thus exacerbating affordability even further.<sup>12</sup> Although the bank's focus is not residential mortgage lending, the housing downturn has negatively affected the economy overall, and anecdotal evidence suggests that it has directly impacted small businesses whose owners use home equity credit to fund business expenses.

## ***Scope of Examination***

The CRA performance was evaluated using the Interagency Small Bank CRA Examination Procedures. The evaluation was based on the following performance criteria:

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

Responsiveness to consumer complaints was not evaluated since the bank did not receive any complaints related to its CRA performance during the review period.

The evaluation was based on small business loans originated from the date the bank was established on October 16, 2006 through June 30, 2008. The 77 small business loans extended during the review period were used to evaluate the *Lending in Assessment Area* criterion. The 56 loans made inside the assessment area were used to evaluate the *Geographic Distribution of Loans* and *Lending by Business Revenue* criteria.

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<sup>12</sup> California Association of Realtors®, *Trends in California Real Estate*, Volume 29, Number 6, June 2008.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### ***Loan-to-Deposit Ratio***

The loan-to-deposit ratio is reasonable. The quarterly average loan-to-deposit ratio over the past six quarters is 44.5 percent. Although below state and national averages, the loan-to-deposit ratio is consistent with the bank's stage of development as a de novo institution and not indicative of a lack of willingness to lend.

### ***Lending in Assessment Area***

A majority of loans were extended inside the assessment area is satisfactory. As seen in Exhibit 3, approximately 70 percent of loans by number and dollar amount were made within the assessment area.

EXHIBIT 3								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA								
OCTOBER 16, 2007 - JUNE 30, 2008								
LOAN TYPE	Inside				Outside			
	#	%	\$ (‘000s)	%	#	%	\$ (‘000s)	%
Small Business	56	72.73	16,005	63.73	21	27.27	9,110	36.27

### ***Lending by Business Revenue***

Lending distribution by business revenue is reasonable. Of the 56 small business loans made within the assessment area, a majority, 57 percent were made to businesses with gross annual revenues of \$1 million or less. This compares favorably to the aggregate market which extended 42 percent of all loans to small businesses. The bank's lending also compares reasonably with the percentage of small businesses within the assessment area at 88 percent. In addition, a sizeable percentage loans, at 41 percent, were made in amounts of \$100,000 or less, thus meeting an identified credit need among small businesses.

## ***Geographic Distribution of Loans***

The distribution of loans by the income level of the geographies within the assessment area is reasonable. As noted in Exhibit 4, loans were made within census tracts of all income categories; also there were no conspicuous gaps or anomalies in the lending patterns.

Particularly strong performance was noted within low-income census tracts, where the bank's level of lending exceeded both the percentage of business entities and the aggregate lending. Conversely, lending within moderate-income census tracts was below both the percentage of business entities and aggregate lending; however, it was not considered unreasonable given the large size of the assessment area and the bank's locations in relation to many of the moderate-income census tracts.

<b>EXHIBIT 4 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS</b>			
<b>Census Tract</b>	<b>Bank Small Business Lending</b>	<b>Small Business Concentrations</b>	<b>Aggregate Small Business Lending</b>
Low-Income	30.4	10.6	6.8
Moderate-Income	7.1	17.0	14.0
Middle-Income	32.1	38.9	39.1
Upper-Income	30.4	33.5	40.1

## ***Response to Complaints***

The bank's performance in responding to complaints was not evaluated as there were no complaints received during the review period that related to the community reinvestment act.

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

There was no evidence of discriminatory or other illegal credit practices identified during the fair lending review conducted concurrently with the CRA evaluation. Fair lending policies, procedures, training programs and internal assessment efforts were found to be adequate and designed to ensure compliance with fair lending and other credit practices rules, laws, and regulations.

## 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 is analyzed considering performance context, quantitative factors (for example, geographic distribution and borrower distribution), 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 is analyzed using only quantitative factors (for example, geographic distribution and borrower 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.