PUBLIC DISCLOSURE

March 10, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

California Republic Bank
RSSD # 3669930

18400 Von Karman, Suite 1100
Irvine, CA 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.

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INSTITUTION RATING

Institution's Community Reinvestment Act (CRA) Rating

California Republic Bank is rated "SATISFACTORY"

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

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

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio;
- A substantial majority of small business loans originated within the bank's assessment area;
- An excellent geographic distribution of small business loans, particularly in low and moderate-income census tracts;
- A reasonable penetration of small business loans to businesses of different sizes, with lending in dollar amounts of $250,000 or less, that helped address an identified credit need in the bank's assessment area; and
- An excellent level of community development activities that supported the revitalization and stabilization of low- and moderate-income geographies, promoted economic development, resulting in job creation and retention, increased the affordable housing stock, and supported the provision of critical social services to low- and moderate-income families and individuals.

INSTITUTION

Description of Institution

California Republic Bank (CRB), headquartered in Irvine, California, with assets of $857.5 million as of December 31, 2013, is a wholly-owned subsidiary of California Republic Bancorp (CRBC). CRBC is a one-bank holding company with total assets of $859.5 million as of December 31, 2013. CRB commenced operations on December 5, 2007, as a state non-member bank and became a member of the Federal Reserve on July 1, 2011. The bank operates four full-service branches, including a Los Angeles County office, two offices in Orange County, and an office in Ventura County that was established in January 2012.

CRB's initial focus included serving the needs of businesses and high net-worth individuals. In July 2011, the bank's focus was expanded to include indirect automobile loan financing activities conducted through its Auto Finance Division (AFD) in Irvine, California, with loan production, processing and servicing facilities in Dallas and Irving, Texas and Las Vegas, Nevada. The AFD purchases loan contracts from an expansive network of auto dealers across six states. In August 2012, CRB also established California Republic Funding, LLC for the purpose of securitizing its purchased auto loans for sale in the secondary market with servicing retained by CRB.

With the exception of the indirect auto lending, the bank's product and service offerings are primarily targeted to the needs of its commercial customers. Credit products include facilities for working capital, equipment financing, portfolio investments, and commercial real estate. Deposit offerings include a selection of commercial checking and savings accounts, as well as cash management and remote deposit capture services. Consumer products are limited to home equity lines of credit, and personal checking, savings and certificate of deposit accounts, all of which are offered primarily as an accommodation to business customers. In addition, the bank partners with a third-party vendor to offer business and consumer credit cards.

CRB's commercial lending focus is evident in Exhibit 1, below, which reflects the bank's loan portfolio composition as reported in the December 31, 2013, Consolidated Reports of Condition and Income. Consumer loans, the second largest category, consist predominately of CRB's auto credits.

EXHIBIT 1
LOANS AND LEASES AS OF DECEMBER 31, 2013

Loan Type	$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	276,085	56.2
Consumer Loans & Credit Cards	143,463	29.2
Secured by 1-4 Family Residential Real Estate	45,382	9.2
Multi-Family Residential Real Estate	21,151	4.3
Construction & Land Development	5,346	1.1
Total (Gross)	**491,427**	**100.0**

During the review period, there were no legal or financial impediments inhibiting the bank's ability to meet the credit needs of its communities consistent with its business strategy, financial capacity, size, and local economic conditions. CRB received an overall satisfactory rating at its previous examination conducted by the Federal Deposit Insurance Corporation (FDIC) as of December 16, 2009, pursuant to the Small Bank Examination Procedures.

Description of Assessment Area

CRB's assessment area consists of the following contiguous geographies, all of which are part of the Los Angeles-Long Beach Combined Statistical Area. Since the previous examination, the assessment area was expanded to include Ventura County as a result of the bank's purchase of the Westlake branch in January 2012.

- Los Angeles County, in its entirety, which is also known as the Long Beach-Glendale Metropolitan Division (MD);
- Orange County, in its entirety, which is also known as the Anaheim-Santa Ana-Irvine MD. The Los Angeles and Orange County MDs comprise the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA); and
- The eastern portion of Ventura County – specifically, 60 out of 174 census tracts – which is a part of the Oxnard-Thousand Oaks-Ventura MSA.

CRB has a relatively small presence and portion of the overall deposit market share in this competitive assessment area, ranking 38th among competing institutions within the area. The assessment area is home to 150 FDIC-insured institutions operating 2,679 offices and with total deposits of $401.3 billion as of June 30, 2013. CRB's four branches held total deposits of $670 million accounting for less than 0.2 percent of the deposit market share.[1] In 2013, CRB was one of 193 small business lenders operating within the assessment area subject to the reporting requirements of CRA. These lenders extended 311,170 small business loans totaling approximately $10.5 billion.[2] Reporting institutions represent only a portion of all institutions competing for the small business lending in the assessment area.

Exhibit 2, on the next page, presents key demographic and business information used to help develop a performance context for the assessment area, based on the 2010 U.S. Census and 2013 Dun & Bradstreet data.

[1] FDIC Deposit Market Share, Summary of Deposits, Los Angeles, Orange, Ventura counties, June 30, 2013; available from: http://www2.fdic.gov/SOD/ (accessed September 13, 2013).
[2] Information based on 2012 aggregate data consisting of institutions required to file annual CRA data.

EXHIBIT 2

ASSESSMENT AREA DEMOGRAPHICS[3]

GREATER LOS ANGELES ASSESSMENT AREA

2010 CENSUS DATA AND 2013 DUN & BRADSTREET DATA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	245	8.2	193,207	6.6	65,411	33.9	686,140	23.3
Moderate-income	829	27.7	789,620	26.8	147,412	18.7	487,446	16.6
Middle-income	844	28.2	858,242	29.2	73,234	8.5	533,089	18.1
Upper-income	1,030	34.5	1,101,016	37.4	40,112	3.6	1,235,500	42.0
Tract not reported	41	1.4	90	0.0	0	0.0	0	0.0
Total AA	**2,989**	**100.0**	**2,942,175**	**100.0**	**326,169**	**11.1**	**2,942,175**	**100.0**

Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	312,119	51,041	2.3	16.4	236,450	75.8	24,628	7.9
Moderate-income	1,182,870	377,795	17.0	31.9	731,515	61.8	73,560	6.2
Middle-income	1,313,866	668,395	30.1	50.9	574,296	43.7	71,175	5.4
Upper-income	1,755,225	1,125,594	50.6	64.1	530,233	30.2	99,398	5.7
Tract not reported	2,288	142	0.0	6.2	1,839	80.4	307	13.4
Total AA	**4,566,368**	**2,222,967**	**100.0**	**48.7**	**2,074,333**	**45.4**	**269,068**	**5.9**

Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to $1 Million		Greater than $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	42,199	6.2	36,349	5.9	4,012	8.2	1,838	7.7
Moderate-income	145,007	21.2	127,907	20.9	11,274	23.0	5,826	24.4
Middle-income	193,308	28.2	171,412	28.0	14,950	30.5	6,946	29.1
Upper-income	297,592	43.4	271,599	44.3	17,146	35.0	8,847	37.1
Tract not reported	7,506	1.1	5,532	0.9	1,602	3.3	372	1.6
Total AA	**685,612**	**100.0**	**612,799**	**100.0**	**48,984**	**100.0**	**23,829**	**100.0**
Percentage of Total Businesses			**89.4**		**7.1**		**3.5**	

2012 Median Family Income		December 2013 Median Housing Value	
Los Angeles County	$59,828	Los Angeles County	$439,590
Orange County	$81,653	Orange County	$677,660
Ventura County	$81,038	Ventura County	$535,180
2013 HUD Adjusted Median Family Income[4]		2013 Unemployment Rate[5]	
Los Angeles County	$61,900	Los Angeles County	9.9%
Orange County	$84,100	Orange County	6.2%
Ventura County	$86,700	Ventura County	7.8%

[3] 2010 U.S. Census and 2013 Dun & Bradstreet data.

[4] Available from FFIEC Median Family Income Listing, http://www.ffiec.gov/cra/Medianincome.htm#MSAincome (accessed May 14, 2014).

[5] U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics by County, 2011 and 2012 Annual Averages, and December 2013 Monthly Average, Not Seasonally Adjusted; available from: http://www.bls.gov/lau/#tables (accessed March 17, 2014.

Economic Conditions

The economy within CRB's assessment area is highly diverse and is home to many industries. Los Angeles County is a major center for the entertainment, manufacturing, and trade industries.[6] The county is the largest manufacturing center in the U.S., employing 365,600 workers in manufacturing fields in 2012.[7] International trade is also a major driver of the local economy, and the Los Angeles Customs District, which includes the ports of Long Beach, Los Angeles, Port Hueneme, and Los Angeles International Airport (LAX), was the nation's second largest trade district in 2012. Plans are underway to expand the ports and LAX airport, opening the county up to even more import and export opportunities.[8] Bolstered by the presence of Hollywood, entertainment is also a key industry in Los Angeles County, making up 63 percent of California's total entertainment employment.[9] Within the last year, eight out of the eleven main industries in Los Angeles County posted year over year growth and there are strong signs of recent improvement in the economy.[10]

Orange County is a prosperous hub for high-tech, aerospace, manufacturing, and tourism industries. Due to the collapse of a number of locally-based mortgage giants, the county was in many ways hit harder by the recession than the state as a whole. Nevertheless, the area is now seeing renewed development activity and several long delayed construction projects are set to move forward.[11] The technology sector has been expanding in data storage, networking, and mobile technology, and the strong tech infrastructure has helped the area transition from defense-related industries that were hurt by Pentagon budget cuts. The county stands to benefit further from the start of Boeing's commercial satellite production in Huntington Beach.[12] Finally, the county's tourism sector has rebounded from the recession with increasing numbers of travelers visiting the area and expansions are underway on major tourist attractions.[13] In addition to growth in the technology field, Orange County has seen development in the medical sector with several of the county's larger health care providers expanding facilities to meet growing demand for health care services.[14]

Ventura County is home to a strong agricultural sector as well as thriving trade and tourism industries. The Ventura County Farm Bureau estimates that there is one acre of irrigated farmland in the county for every acre of city. The area is a large producer of fruits, vegetables, nursery stock, and cut flowers.[15] Port Hueneme, located in the county, serves as a collection point for agricultural goods before they are

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[6] Los Angeles County Economic Development Corporation (LAEDC), *Industry Clusters in Los Angeles* (pg. 2-4), available from: http://laedc.org/business-assistance/industry-clusters/ (accessed January 11, 2013).
[7] LAEDC, L.A. Stats 2013, available from: http://cdn.laedc.org/wp-content/uploads/2012/04/2012_lastats.pdf (accessed February 20, 2014).
[8] Ibid.
[9] LAEDC, *Industry Clusters in Los Angeles* (pg. 2).
[10] State of California, Employment Development Department, Los Angeles-Long Beach-Glendale Metropolitan Division, December 2013, available from: http://www.calmis.ca.gov/file/lfmonth/la$pds.pdf (accessed February 17, 2014).
[11] LAEDC, Economic Forecast and Industry Outlook (pg. 38-39); available from: http://laedc.org/reports/2013-14EconomicForecastandIndustryOutlook.pdf (accessed November 5, 2013).
[12] Economy.com's Precis Metro, Santa Ana, August 2013.
[13] LAEDC, Economic Forecast and Industry Outlook (pg. 38-39).
[14] Ibid.
[15] LAEDC, L.A. Stats 2013 (pg. 9), available from: http://cdn.laedc.org/wp-content/uploads/2012/04/2012_lastats.pdf (accessed February 20, 2014).

shipped throughout the nation and is also a distribution center for automobile manufacturers. [16] Boosted by these cargos, revenues at the port soared during the review period, surpassing the prerecession peaks for a record fiscal high in 2013.[17] Finally, Ventura County is home to a growing tourism industry that appeals to visitors looking for alternatives to the higher priced Santa Barbara area.[18] The area has seen boosts in tourism and local hotels set record-breaking occupancy rates in 2012 due in large part to a surge of foreign visitors.[19]

Industry growth within the three counties evidences an ongoing recovery from detrimental effects of the recent recession. The recovery is reflected in the unemployment data shown in Exhibit 3, below. All counties experienced a significant decline in the unemployment rate between 2011 and 2013. Although the 2013 unemployment rate in Los Angeles County remained above the state average, Orange and Ventura counties fared much better than the state as a whole, with Orange County's unemployment rate representing one of the lowest in the state. At the end of the review period, there were an estimated 623,750 unemployed individuals in the assessment area which accounted for 38 percent of the state total. [20]

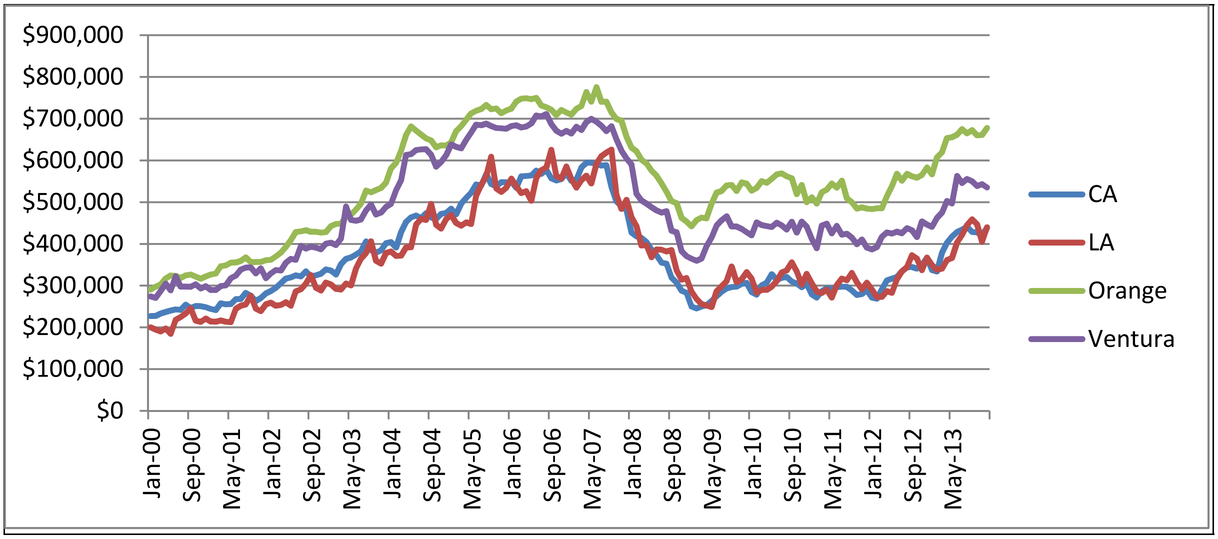
EXHIBIT 3
GREATER LOS ANGELES AREA UNEMPLOYMENT RATES
2011-2013

Area	2011	2012	2013	Unemployed, Dec. 2013
Los Angeles County	12.3%	10.9%	9.9%	489,618
Orange County	8.8%	7.6%	6.2%	100,354
Ventura County	10.1%	9.0%	7.8%	33,778
California State	11.8%	10.5%	8.9%	1,663,497

The assessment area's housing market also continues to rebound from significant declines in home values experienced during the recession. Home prices in the area experienced declines from their peak consistent with the broader housing market downturn during the recession. However, as reflected in Exhibit 4 on the following page, housing prices have continued an upward trend through the review period, consistent with overall price increases in the state.[21]

[16] Ibid.
[17] Moodys Précis Report, Oxnard, December 2013.
[18] LAEDC, Economic Forecast and Industry Outlook (pg. 54).
[19] Moodys Précis Report, Oxnard, December 2013.
[20] U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics by County, 2011 and 2012 Annual Averages, and December 2013 Monthly Average.
[21] California Association of Realtors, Market Data, Historical Housing Data, Median Prices of Existing Detached Homes, Historical Data (accessed February 21, 2014).

EXHIBIT 4
GREATER LOS ANGELES AREA MEDIAN HOME PRICES
JANUARY 2000-DECEMBER 2013



Consistent with the improving economy, home ownership has become less affordable. The traditional housing affordability index (which measures the percent of families that can afford to purchase a median priced home) dropped by more than 10 percent in each of the three counties, with the highest level of only 31 percent in Ventura County. Affordability issues were also noted in a recent study in which the three counties within the assessment area ranked among the top ten least affordable in the nation for middle class families.[22] At a recent Federal Reserve Bank of San Francisco Listening Session[23] held in Orange County, community development practitioners noted that the propensity of investors to make all cash offers on for-sale homes within the area has eliminated a large group of homes from the market that might otherwise have been available to low- and moderate- income home buyers.

Similarly, rental housing is very unaffordable, and in some instances unavailable, for many households. In 2012, median gross monthly rent was $1,175 in Los Angeles County, $1,465 in Orange County, and $1,438 in Ventura County.[24] Approximately half of all assessment area households spent 35 percent or more of their income on rent in 2012 (families who pay more than 30 percent of their income for housing are considered cost burdened).[25] Furthermore, the assessment area experienced a tightening rental market, evidenced by declining vacancy rates. In Los Angeles County, annual vacancy rates fell from 3.7 percent in the 1st quarter of 2012 to a 7-year low of 3.1 percent in the 4th quarter of 2013.[26]

[22] Kolko, Jed. Where Can the Middle Class Afford to Buy a Home? *Trulia*. October 10, 2013; available from: http://www.trulia.com/trends/2013/10/middle-class/ (accessed March 18, 2014).
[23] The Federal Reserve Bank of San Francisco's Community Development Field Staff frequently sponsors "Listening Sessions" to gather input on community development needs within a specific county. The referenced session was held on February 13, 2014.
[24] U.S. Census Bureau, ACS 1-Year Estimate, Selected Housing Characteristics DPO4, 2012; available from: http://factfinder2.census.gov (accessed March 17, 2014).
[25] U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Housing Characteristics DP04, 2011-2012; available from: http://factfinder2.census.gov. (accessed February 24, 2014).
[26] Reis, Inc. Performance Monitor, Apartment 4th Quarter 2013, Metro: Los Angeles County; available from: www.reis.com (accessed February 17, 2014).

Similarly, in Orange County, rates fell from 3.7 percent to a 12-year low of 2.9 percent, while vacancy rates in Ventura County fell from 3.7 percent to 2.8 percent during that time period.

Declining vacancies impact all renters; however, the absence of affordable rental units may be particularly hard for low-income residents. The Urban Institute, a nonprofit social and economic policy research group, estimates that for every 100 very low-income renter households, there are only 17 housing units available in Los Angeles County, 20 in Orange County, and 18 in Ventura County.[27] This lack of affordable housing was worsened by the abolishment of California redevelopment agencies in late 2011. These agencies formerly provided yearly investments of $1 billion in California to finance affordable housing development.[28] In addition, sequestration – the across-the-board congressional spending cuts required by the Budget Control Act of 2011 – reduced the ability of local housing authorities to provide Section 8 vouchers, which subsidize rental costs for low- to moderate-income individuals.

While overall levels of foreclosures and delinquencies have improved significantly since the recession, levels remain somewhat elevated from pre-recession levels and particular areas continue to be challenged. Exhibit 5, below, shows the percentage of loans in foreclosure or 90+ days delinquent as of December 2013. The data demonstrates that relative to foreclosures and delinquencies, Los Angeles County fared slightly worse than the state as a whole while Orange and Ventura counties fared better.[29] Nevertheless, due to the size and economic diversity of the assessment area, certain areas fared much worse than others. For example, there are several neighborhoods in the assessment area with very high concentrations of distressed properties; notably, Ojai in Ventura County, and Inglewood and Compton in Los Angeles County.[30]

EXHIBIT 5
GREATER LOS ANGELES AREA FORECLOSURE AND DELINQUENCY
JUNE 2013

Area	Percent of Loans in Foreclosure	Percent of Loans 90+ Days Delinquent	Estimated Properties at Risk of Default
Los Angeles County	0.9%	2.1%	26,677
Orange County	0.6%	1.3%	6,031
Ventura County	0.7%	1.6%	2,209
California State	0.8%	1.9%	104,100

Finally, as shown in Exhibit 6, on the following page, there was an increase in both the poverty and food stamp usage rates between 2011 and 2012 in the assessment area, consistent with broader statewide increases. Significant numbers of homeless contribute to these statistics. In 2013, there were an estimated 53,798 homeless people living in Los Angeles County, 4,251 living in Orange County, and

[27] Urban Institute, Housing Assistance Matter Initiative; available from: http://www.urban.org/housingaffordability/ (accessed March 18, 2014).
[28] Bostic, Raphael and Tony Salazar. February 4, 2013. L.A.'s real housing problem. *Los Angeles Times.* Available from: http://articles.latimes.com/2013/feb/04/opinion/la-oe-bostic-rental-housing-crisis-20130204 (accessed September 20, 2013).
[29] FRBSF Calculations of data provided by Lender Processing Services Analytics, Inc.
[30] FRBSF Understanding the Foreclosure Crisis in California (pg. 29 & 31), January 2014; available from: http://www.frbsf.org/community-development/initiatives/foreclosure-resources/local-housing-mortgage-market-trends/. Understanding the Foreclosure Crisis (accessed February 18, 2014).

1,674 living in Ventura County.[31] Nevertheless, assessment area counties remained below the state average in food stamp usage and all counties but Los Angeles remained several points below the state in the percentage of people in poverty.[32]

EXHIBIT 6 GREATER LOS ANGELES AREA POVERTY AND FOOD STAMPS 2011-2012				
Area	**All People in Poverty**		**Food Stamp Usage**	
	2011	**2012**	**2011**	**2012**
Los Angeles County	18.3%	19.1%	7.9%	8.6%
Orange County	12.9%	12.9%	5.3%	6.1%
Ventura County	11.3%	11.5%	6.3%	7.5%
California State	16.6%	17.0%	8.3%	9.1%

Credit and Community Development Needs

Access to credit for businesses, particularly for small business owners, was a concern nationwide during the Great Recession.[33] According to a 2013 report by the Small Business Administration, total small business loans ($1 million or less) declined by 3.1 percent between 2011 and 2012, falling from $607 to $588 billion.[34] During that period, there was evidence of exceptionally high levels of risk aversion and uncertainty by both lenders and borrowers,[35] which may have contributed to lower demand of borrowers as well as tightened lending standards. A recent report by the Federal Reserve Bank of Cleveland noted that while some measures of small business financing are now above their lowest levels since the Great Recession, they remain far below their levels before it.[36] Additionally, a survey of senior loan officers by the Federal Reserve Board of Governors found that 93 percent of banks reported that their lending standards to small firms with annual sales of less than $50 million have remained basically unchanged. This suggests that lending standards that became more conservative during the recession may still be an obstacle to many small businesses seeking financing.[37]

[31] HUD. Point in Time Homeless Count; available from: http://www.hudhdx.info/ (accessed March 17, 2014)
[32] U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Housing Characteristics DP03, 2011-2012; available from: http://factfinder2.census.gov. (accessed February 24, 2014). (accessed March 17, 2014).
[33] *The American Banker*, February 8, 2010, Agencies Urge Loans to Small Businesses.
[34] The value of small business loans outstanding for depository lenders. According to a 2011 survey by the National Federation of Independent Businesses, 85 percent of businesses reported a commercial bank as their primary financial institution. Small Business Administration. Small Business Lending in the United States 2012 (pg. 5); available from: http://www.sba.gov/sites/default/files/files/sbl_12study.pdf (accessed November 19, 2013).
[35] Chairman Ben S. Bernanke, "Banks and Bank Lending: The State of Play" (speech, Chicago, IL, May 10, 2012), available at http://www.federalreserve.gov/newsevents/speech/bernanke20120510a.htm (accessed August 2, 2014).
[36] Wiersch, Anne Marie, and Scott Shame. Why Small Business Lending Isn't What It Used to Be. August 14, 2013. Available from: http://www.clevelandfed.org/research/commentary/2013/2013-10.cfm (accessed September 2, 2013).
[37] Federal Reserve Board, January 2014 Senior Loan Officer Opinion Survey, Office of the Comptroller of the Currency, 2012 Survey of Credit Underwriting Practices (pg. 12); available from: http://www.federalreserve.gov/boarddocs/snloansurvey/201402/default.htm (accessed February 21, 2014).

Concerns noted at the national level were echoed in the assessment area. Despite an improving economy, there is evidence that small businesses are still feeling the credit crunch. A 2013 study by one non-profit indicates that a review of loan data from the SBA and the Federal Reserve show a decline of two-thirds in the number of loans made to small businesses in the state of California between 2007 and 2012.[38] The same study included survey feedback from non-profit lenders indicating that many clients with relatively high credit scores were being denied new loans from banks of which they had been longtime customers.[39] Lending standards that are still somewhat conservative may be contributing to this decreased lending. This data and information from community contacts suggests that there are small business credit needs that are currently unmet by area banks, and in particular the need for smaller dollar loans and for training or counseling to build the credit capacity of small business owners.

There are a number of ways financial institutions can address these needs. In addition to direct lending, a number of community development financial institutions (CFDIs) serving the Greater Los Angeles Assessment Area received financial awards from the Treasury's CDFI Fund (including $497 million in New Markets Tax Credit allocations in the City of Los Angeles alone since 2009), providing opportunities for financial institutions to invest in small businesses and economic development in the area.[40] There may also be opportunities to work with one of the regional networks of Small Business Development Centers serving the Greater Los Angeles Assessment Area to provide critical technical assistance to businesses or to participate in a variety of loan guarantee and other programs offered by the State of California.

A variety of factors also suggest that there is a need for affordable housing development and financing within the assessment area. High housing costs and low affordability indices, are evidence that home ownership is out of reach for the majority of individuals living in the assessment area. Expectedly, home ownership is even further out of reach for low income individuals. There are a number of resources in the area that are attempting to address these needs and that may provide an opportunity for participation by banks. In 2011 and 2012, the assessment area received a total of $576.6 million and $498.7 million respectively, in Low Income Housing Tax Credits,[41] providing an opportunity to place new affordable housing units into service, and local financial institutions an opportunity to invest in the area. Additionally, there are also CDFIs in the area that finance affordable housing development that may provide opportunities for partnership with local banks.

Despite the improvements in the overall economy, the importance of community development activities that stabilize and revitalize these communities is highlighted by the many low-and moderate-income communities that have not yet recovered. In late 2008, the federal government launched the Neighborhood Stabilization Program (NSP), which provides funding for local governments to purchase foreclosed properties and redevelop them into affordable housing units in an effort to stabilize local communities. NSP funding was allocated throughout the Greater Los Angeles Assessment Area, which

[38] California Reinvestment Coalition. *Small Business Access to Credit, The Little Engine that Could: If Banks Helped*, pp 3, 5. December, 2013. Available at http://calreinvest.org/crc-issues/small-business (accessed August 1, 2014).
[39] Ibid., p. 5.
[40] The New Markets Tax Credit program was created in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. Community Development Financial Institutions Fund, New Markets Tax Credit Awardee/Allocatee; available from: http://www.cdfifund.gov/awardees/db/advancedSearchResults.asp (accessed September 23, 2013).
[41] California Tax Credit Allocation Committee, 2011 and 2012 Annual Reports; available from: http://www.treasurer.ca.gov/ctcac Accessed (accessed September 24, 2013).

includes allocations at the city and county level, across three rounds of disbursements.[42] NSP funding suggests that opportunities may exist for lenders to collaborate with NSP grant recipients or to engage in efforts to help stabilize areas through activities that prepare consumers for homeownership and/or finance affordable housing projects targeted to those consumers. These activities could include, but are not limited to financial education, homebuyer counseling, and the rehabilitation and management of distressed properties.

Finally, as previously discussed, the recession also took a toll on residents of the area. A 2013 study found that many Californians find it difficult to make ends meet and that the situation would be much worse without state, federal, and local safety net programs.[43] At the same time, lower revenues resulting from decreased government support and difficulty attracting donations, among other factors have made it more difficult for local non-profits to meet the needs of an increasing clientele.[44] In addition, large numbers of homeless are not only evidence of a need for social services, but also of the need for additional supportive and affordable housing options.

The prevalence of poverty, homelessness and the need for social support services such as food stamps, coupled with the findings of these studies and surveys suggest that community service organizations serving the assessment area face increased demands for their services. This increased demand, in turn, often results in needs for these organizations in terms of funding, financial support, and technical assistance as they attempt to serve an increasing low- and moderate-income population. Ultimately, this series of events results in potential community development service or investment opportunities for financial institutions.

Scope of Examination

CRB's performance was evaluated pursuant to the *Interagency Intermediate Small Institution Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. The evaluation period for both tests covered January 1, 2012 through December 31, 2013.

LENDING TEST

The lending test portion of the evaluation was based upon the following performance criteria:

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

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[42] U.S. Department Housing and Urban Development, California, Neighborhood Stabilization Program, NSP Grantee Database; available from: http://hudnsphelp.info/index.cfm?do=viewGranteeAreaResults; (accessed January 4, 2013).
[43] Holland, Gale "L.A. County Leads California In Poverty Rate, New Analysis Shows." Los Angeles Times, September 30, 2013, available at http://articles.latimes.com/2013/sep/30/local/la-me-poverty-20131001 (accessed August 2, 2014.
[44] UCLA Center for Civil Society. *Stressed and Stretched: The Recession, Poverty, and Human Services Nonprofits in Los Angeles*, p. vii. Available at http://civilsociety.ucla.edu/ (accessed August 2, 2014)

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

CRB's lending test evaluation was based on small business loans originated during the review period. A total of 187 small business loans were used in the evaluation of bank's *Lending in Assessment Area*. Of these, 169 loans made in the bank's assessment area were used in the evaluation of *Lending Distribution by Geography and Lending Distribution by Business Revenue*.

COMMUNITY DEVELOPMENT TEST

The community development test included an evaluation of CRB's level of community development loans, investments, and services relative to local credit needs and opportunities as well as the bank's capacity to participate in such activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

CRB's overall performance under the lending test is satisfactory. The bank's geographic distribution of small business loans reflects excellent penetration in low- and moderate-income census tracts, while the loan-to-deposit ratio, the level of lending within the assessment area, and the distribution of lending by business revenue are all reasonable.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio is reasonable. CRB's eight-quarter average loan-to-deposit ratio of 78.8 percent exceeded both the national peer average and state average of 74.4 percent and 77.1 percent, respectively.

LENDING IN ASSESSMENT AREA

A substantial majority of the bank's loans, by number and dollar amounts, were extended within CRB's assessment area as depicted in Exhibit 7 below. This lending level indicates that the bank is effectively engaging in lending activities within its defined market.

EXHIBIT 7
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA
JANUARY 1, 2012 – DECEMBER 31, 2013

Loan Type	Inside				Outside			
	#	%	$ ('000s)	%	#	%	$ ('000s)	%
Small Business	169	90.4	75,503	89.1	18	9.6	9,244	10.9

LENDING DISTRIBUTION BY GEOGRAPHY

The geographic distribution of small business loans is excellent. Specifically, as shown in Exhibit 8, on the following page, CRB extended loans within census tracts of all income levels with a level of lending in low- and moderate-income census tracts that significantly and consistently exceeds the representation of businesses and the percentage of aggregate lending in these census tracts. Lending patterns did not exhibit unusual or conspicuous gaps. Given the overall decline in small business lending throughout the state, the performance in low- and moderate-income census tracts demonstrates responsiveness to area credit needs and may help stabilize areas that are still experiencing the negative effects of the recession.

EXHIBIT 8 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	**Low**		**Moderate**		**Middle**		**Upper**	
	#	**%**	**#**	**%**	**#**	**%**	**#**	**%**
2012								
Bank Lending	8	10.0	22	27.5	25	31.3	25	31.3
Aggregate Lending	17,782	5.0	62,528	17.7	94,669	26.7	179,192	50.6
Business Concentration	48,880	6.3	168,280	21.6	222,064	28.4	341,517	43.7
2013								
Bank Lending	11	13.3	22	26.5	12	14.5	38	45.8
Aggregate Lending	16,512	5.4	56,829	18.4	83,559	27.1	151,209	49.1
Business Concentration	42,199	6.2	145,007	21.4	193,308	28.5	297,592	43.9

LENDING DISTRIBUTION BY BUSINESS REVENUE

The distribution of loans to small businesses is reasonable. As shown in Exhibit 9 below, the percentage of CRB's lending to small businesses fell below the aggregate lending percentage and the percentage of small businesses during the review period. Despite the stronger performance of the aggregate market and the significant concentration of small businesses, CRB has extended a reasonable percentage of loans to smaller businesses and in smaller dollar amounts with one-third of its loans in amounts of $250,000 or less. CRB's performance was generally responsive to the need for small business credit and smaller dollar loans, particularly in light of depressed aggregate small business lending levels, indications of sluggish demand for loans, and the bank's relatively early stage of development.

EXHIBIT 9 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 (%)**
2012	84	35.7	89.9	48.8	15.5	20.2	64.3
2013	85	43.5	89.4	51.5	23.5	12.9	63.5

RESPONSE TO COMPLAINTS

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

Community Development Test

CRB's overall performance under the Community Development test is outstanding. The bank demonstrated excellent responsiveness to the articulated community development needs within its assessment area. A diverse array and significant level of loans, investments, and services addressed the needs for affordable housing, economic development, and job creation which are critical to an area emerging from recession. Community development activity also supported CDFIs and a minority-owned financial institution, thereby facilitating the ability of those institutions to benefit broader constituencies than the bank might be able to reach on its own. Community development activity levels are displayed in Exhibit 10, below.

Exhibit 10 Community Development Activities								
Assessment Area	Loans		Qualified Investments/Donations				Services	
			Prior Period		Current Period			
	#	$ ('000s)	#	$ ('000s)	#	$ ('000s)	#	Hours
The Greater Los Angeles Assessment Area	28	47,281	0	0	31	4,091	214	1,385
Broader Statewide or Regional Area	0	0	1	103	0	0	0	0
Total	28	47,281	1	103	31	4,091	214	1,385

Community Development Lending

The bank originated 28 community development loans totaling approximately $47.3 million during the review period. As shown below, lending was responsive to the needs of the community and served all community development purposes. Notably, the bank extended $16.3 million in credit to support economic development, resulting in the provision of credit to small businesses, an identified critical area need. These loans helped create or retain over 320 assessment area jobs that benefitted low-and moderate-income individuals and families. A substantial volume of loans were also originated in support of affordable housing development that provided over 300 units of affordable housing. Highlights include:

- A $6.5 million loan to a small business to develop a property site for a mix of retail, office and residential tenants, fostering economic development in a low-income tract.
- Financing in amount of $5 million for multiple redevelopment and affordable housing projects, 90 percent of which are leased to low-and-moderate income individuals and families.
- A total of $3 million in lending to a CDFI that will be applied towards community development lending in the bank's assessment area.
- Another $2.8 million in credit to fund the purchase and reposition of a mixed-use property that will be converted into 100-units of housing that are affordable to low- and moderate-income individuals.
- Financing of $2 million to a small business to purchase of a multi-tenant retail property, resulting in the creation of 25 jobs.

- A $2 million loan to fund the purchase and renovation of a property in a moderate-income tract situated in an enterprise zone.
- Another $250,000 loan used to provide working capital to a nonprofit organization that provides medical assistance to low- and moderate-income youth.

COMMUNITY DEVELOPMENT INVESTMENTS

CRB extended over $4.1 million in community development investments and donations that primarily addressed the need for affordable housing and also financed the provision of services to low- and moderate-income individuals, both of which are vital area needs. Investments include:

- A total of $3.5 million in securities backed by 23 loans to low-and moderate-income borrowers. Of these, seven homes were located in low-and moderate-income census tracts.
- Deposits of $500,000 in minority-owned institutions, which supported the credit needs of the local communities in which these organizations operate.
- A $103,000 prior period investment in the securities of a CDFI that supports multi-family affordable housing, economic development, community revitalization and loans to small businesses and nonprofits throughout the Southern California area, including the bank's assessment area.

COMMUNITY DEVELOPMENT SERVICES

The Bank contributed approximately 1,395 hours of service to fourteen organizations that serve low-and moderate-income individuals and families. As referenced below, these services were focused in providing financial literacy education to youth and technical assistance to organizations that address various community development needs. Service highlights include:

- Over 850 hours of financial literacy training was provided through Junior Achievement programs to low- and moderate- income students in the Greater Los Angeles area.
- The provision of over 150 hours of financial expertise by serving as director and member of the asset review and bond committees of a CDFI that has funded loans and equity investments in low-income communities that resulted in the creation of affordable housing units and jobs as well as the provision of low-income community services.
- Over 100 hours dedicated to providing financial expertise by serving as a director of a workforce development organization that provides programs and services focused towards individuals that are unemployed, underemployed, low-skilled, and members of other at-risk groups.

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, we conducted a review of the bank's compliance with consumer protection laws and regulations and 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.

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.