

PUBLIC DISCLOSURE

February 19, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Security Bank

RSSD # 1471577

**1401 Dove Street
Newport Beach, California 92660**

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 CRA Rating

American Security 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 small business loans originated within the bank's assessment area;
- A reasonable geographic distribution of small business loans;
- A reasonable distribution of loans to businesses of different sizes; and
- An adequate level of community development activities comprised of community development loans, investments, and services primarily supporting the revitalization and stabilization of low- and moderate-income geographies.

INSTITUTION

Description of Institution

American Security Bank (ASB) headquartered in Newport Beach, California, is a wholly-owned subsidiary of America Bancshares, a Minnesota bank holding company, with reported total assets of \$438.4 million as of December 31, 2012. The bank commenced operations on September 17, 1990. ASB has six full-service branches – two in Orange County, two in San Bernardino County, one in Los Angeles County, and one in Riverside County. Additionally, ASB operates one electronic banking office, an office primarily consisting of two Automated Teller Machines and remote deposit capture access for the bank’s commercial customers. ASB also has a loan production office in San Bernardino County.

ASB provides commercial banking products and services targeted to small- to medium-sized businesses and professionals. Commercial loan types include working capital lines of credit, letters of credit, Small Business Administration (SBA) guaranteed loans, commercial real estate, construction, and land development loans. ASB offers consumer loans primarily to accommodate the personal needs of its business clientele. Consumer loans offered include automobile, boat and recreational vehicle loans, home equity loans, overdraft protection lines of credit, and personal secured and unsecured loans.

Exhibit 1 below is the December 31, 2012, loan portfolio, as stated in the Consolidated Reports of Condition and Income, which shows the bank’s commercial lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2012		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	213,257	83.3
Secured by 1-4 Family Residential Real Estate	19,287	7.5
Multi-Family Residential Real Estate	14,383	5.6
Construction & Land Development	5,582	2.2
All Other	2,553	1.0
Consumer Loans & Credit Cards	933	0.4
Total (Gross)	255,995	100.0

ASB’s assessment areas remain unchanged since the previous examination and are defined as follows:

- Orange County (Orange) in its entirety. This area is the Santa Ana-Anaheim-Irvine Metropolitan Division (MD).
- Los Angeles County (Los Angeles) in its entirety. This area is the Los Angeles-Long Beach-Glendale MD.
- Riverside County (Riverside) in its entirety. This area is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA).

- San Bernardino County (San Bernardino) in its entirety. This area is part of the Riverside-San Bernardino-Ontario MSA.

ASB did not face any legal or financial impediments during the review period that would have prevented it from helping to meet the credit needs of its assessment area consistent with its business strategy, financial capacity, size, and local economic conditions. The prior Community Reinvestment Act (CRA) examination, conducted as of February 28, 2011, resulted in a satisfactory rating and was conducted by the Federal Bank of San Francisco using the Intermediate Small Institution CRA Examination Procedures.

Scope of Examination

ASB's performance was evaluated using 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. Orange, Los Angeles, and Riverside received full-scope reviews based on ASB's larger presence and level of lending and deposit activity within those markets. Orange received the greatest weight followed by Los Angeles and Riverside, respectively. The San Bernardino assessment area received a limited-scope review given ASB's small presence and limited deposit and lending activity within that market. The evaluation period for both tests was January 1, 2011 through December 31, 2012.

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 Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different sizes (Lending Distribution by Business Revenue).

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

The lending test evaluation was based on small business loans originated during the review period. A total of 254 small business loans were used in the evaluation of *Lending in Assessment Area*. Of these, 246 loans made within the 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 ASB's level of community development activities in relation 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

ASB's overall performance under the lending test is satisfactory. Small business lending levels are reasonable with a substantial majority of loans made within the bank's assessment areas. The distribution of small business loans reflects a reasonable penetration in geographies of all income levels, including low- and moderate-income areas. Finally, the distribution of loans among businesses of different sizes is also reasonable.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio is reasonable. Since the previous CRA examination, the average loan-to-deposit ratio is 76 percent. This reasonably compares with the state average and national peer loan-to-deposit ratios of 78 percent and 75 percent, respectively.

LENDING IN ASSESSMENT AREA

A substantial majority of small business loans were made within the bank's assessment areas. As shown in Exhibit 2 below, the bank extended nearly 97 percent of the loans within the bank's assessment areas. This level of lending indicates that the bank is effectively engaging in lending activities within its defined markets.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS JANUARY 1, 2011 THROUGH DECEMBER 31, 2012								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	246	96.9	54,473	93.4	8	3.1	3,841	6.6

GEOGRAPHIC AND BORROWER DISTRIBUTION

Overall, the bank's geographic and borrower distributions of loans are reasonable. Small business loans, for the most part, were reasonably distributed throughout the respective assessment areas and among businesses of different revenue sizes. There were no conspicuous gaps in the assessments areas, with loans generally concentrated in the areas where the bank's branch offices are located. The distribution of loans among businesses of different sizes is adequate as lending levels generally compared well to factors such as the representative portion of small businesses in the area and performance of other lenders in the market. In addition, a large percentage of small business loans were in smaller dollar amounts (i.e., less \$250,000), which was responsive to identified credit needs in the different communities served by the bank.

These overall conclusions are based on a variety of performance context issues that affect the individual conclusions in the assessment areas. Therefore, individual conclusions for the different assessment areas vary, and the facts and data supporting those assessments are presented within the separate assessment area analyses.

RESPONSE TO COMPLAINTS

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

Community Development Test

ASB's performance under the community development test is satisfactory. With the exception of the Riverside assessment area, the bank demonstrates an adequate level of community development activities that were responsive to the needs of its assessment areas. ASB's community development activities primarily stabilize and revitalize low- and moderate-income geographies by either extending credit to businesses operating within state-designated enterprise zones or extending loans guaranteed by the Small Business Administration (SBA) under the SBA 504 loan program. The bank's investment activities were primarily donations to organizations that provide community services for low- and moderate-income individuals, such as emergency food services and shelter care. The bank also holds a certificate of deposit in a community development financial institution. Additionally, the bank supports community organizations that provide critical social services to low- and moderate-income individuals and families through the provision of credit and technical expertise. Conversely, in Riverside, the bank's community development activities are poor since no community development loans were originated, investments were limited to only four donations totaling \$4,000, and service hours were nominal. An overview of the bank's community development activities is listed in Exhibit 3 below. The details of these activities are discussed under each applicable assessment area.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
	#	\$ ('000s)	Prior Period		Current Period		#	Hours
			#	\$ ('000s)	#	\$ ('000s)		
Orange	2	1,284	-	-	8	11	49	325
Los Angeles	15	12,255	-	-	13	256	22	78
Riverside	-	-	-	-	4	4	6	34
San Bernardino	5	3,791	-	-	6	6	23	65
Total	22	17,330	-	-	31	277	100	502

Fair Lending or Other Illegal Practices Review

A review of the bank's compliance with consumer protection laws and regulations was conducted concurrent with this CRA evaluation and did not result in the identification of any 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.

Orange Assessment Area

DESCRIPTION OF OPERATIONS IN ORANGE

The Orange assessment area consists of Orange County in its entirety and comprises the Santa Ana-Anaheim-Irvine MD. Orange County stretches over 40 miles along the Southern California coastline and is situated on the southern border of Los Angeles County, the northern border of San Diego County, and the western borders of Riverside and San Bernardino Counties. With an estimated 2010 population of 3.2 million, Orange is second after Los Angeles in population for California counties.¹ ASB's branches are located in Laguna Niguel and Newport Beach, which cities respectively have 62,979 and 85,186 residents.² These two cities, where the bank's two branches located, are predominantly higher income areas located along the coast and are considerable distance from the inland areas where the majority of low-income census tracts are located.

With only two branches, ASB has a limited presence in a highly competitive market for deposit and loan products as well as community development opportunities. As of June 30, 2012, the bank's two branches held \$206.9 million in deposits, representing less than one percent of the market share, where 94 Federal Deposit Insurance Corporation (FDIC) insured financial institutions operated 964 offices with deposits exceeding \$77.4 billion. Six national banks collectively operated 434 offices and held over 65 percent of the deposit market share in the assessment area.³ To illustrate the competitiveness of the small business lending marketing, in 2011, there were 124 lenders reporting small business loans pursuant to the reporting requirements of the CRA; most of these were large regional and national institutions. These lenders, which represent only a portion of the commercial lending market, extended 89,986 small business loans totaling \$2.6 billion.⁴

Exhibits 4 and 5, on the following two pages, present key demographic and business information used to help develop a performance context for the assessment area. They are based on both the 2000 and 2010 U.S. Census and 2011 Dun and Bradstreet data. Dun and Bradstreet data is not yet available for 2012. Exhibit 4 represents the data against which the bank's 2011 lending was evaluated, while Exhibit 5 was used for the assessment of the bank's 2012 lending. The Orange assessment area experienced an increase in population and in the number of census tracts since the 2000 census. Total

¹ Local Area Profile, Population in State of California; available at: <http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSMOREResult.asp?menuChoice=localAreaPro&criteria=Population&categoryType=population+census+data&geogArea=0604000059&area=Orange+County×eries=PopulationTimeSeries>, (accessed February 6, 2013).

² See the City of Laguna Beach Community Report Card at <http://www.cityoflagunaniguel.org/DocumentCenter/Home/View/430> (accessed May 7, 2013). See the City of Newport Beach website at <http://www.newportbeachca.gov/index.aspx?page=966> (accessed May 7, 2013).

³ Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 30, 2012; available at: <http://www2fdic.gov/sod>, (accessed February 4, 2013).

⁴ Information based on aggregate data consisting of institutions required to file annual CRA data.

census tracts increased from 577 to 583. Specifically, the number of low-income census tracts increased from 21 to 34, while the number of moderate-income and upper-income census tracts decreased from 155 to 153 and 209 to 201, respectively.

EXHIBIT 4 ASSESSMENT AREA DEMOGRAPHICS ORANGE COUNTY ASSESSMENT AREA 2000 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	3.6	24,782	3.7	6,629	26.7	138,525	20.6
Moderate-income	155	26.9	180,074	26.7	22,929	12.7	120,686	17.9
Middle-income	191	33.1	218,318	32.4	11,625	5.3	139,356	20.7
Upper-income	209	36.2	250,738	37.2	5,711	2.3	275,345	40.9
Tract not reported	1	0.2	0	0.0	0	0.0	0	0.0
Total AA	577	100.0	673,912	100.0	46,894	7.0	673,912	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	28,788	7,172	1.2	24.9	21,050	73.1	556	1.9
Moderate-income	262,585	112,294	19.6	42.8	141,112	53.7	9,179	3.5
Middle-income	326,870	192,698	33.6	59.0	123,558	37.8	10,614	3.2
Upper-income	351,250	262,028	45.6	74.6	75,374	21.5	13,848	3.9
Tract not reported	1	1	0.0	100.0	0	0.0	0	0.0
Total AA	969,484	574,193	100.0	59.2	361,094	37.2	34,197	3.5
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	6,073	2.9	5,200	2.8	645	4.3	228	3.3
Moderate-income	56,523	26.9	49,068	26.1	5,326	35.3	2,129	31.3
Middle-income	72,072	34.3	64,310	34.2	5,289	35.0	2,473	36.3
Upper-income	73,831	35.2	68,253	36.3	3,647	24.2	1,931	28.3
Tract not reported	1,378	0.7	1,133	0.6	194	1.3	51	0.7
Total AA	209,877	100.0	187,964	100.0	15,101	100.0	6,812	100.0
Percentage of Total Businesses			89.6		7.2		3.2	
2004 Median Family Income			\$64,321	December 2011 Median Housing Value ⁵			\$400,000	
2011 HUD Adjusted Median Family Income			\$84,200	December 2011 Unemployment Rate ⁶			7.8%	

⁵ California Association of Realtors®, *Trends in California Real Estate*, Volume 33, Number 1, January 2012.

⁶ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

EXHIBIT 5 ASSESSMENT AREA DEMOGRAPHICS ORANGE COUNTY ASSESSMENT AREA 2010 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	34	5.8	38,308	5.5	8,955	23.4	153,973	22.0
Moderate-income	153	26.2	182,683	26.1	21,969	12.0	121,223	17.3
Middle-income	191	32.8	223,523	32.0	12,005	5.4	136,268	19.5
Upper-income	201	34.5	254,812	36.4	6,919	2.7	287,869	41.2
Tract not reported	4	0.7	7	0.0	0	0.0	0	0.0
Total AA	583	100.0	699,333	100.0	49,848	7.1	699,333	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	55,481	17,919	3.0	32.3	33,667	60.7	3,895	7.0
Moderate-income	271,727	117,493	19.6	43.2	139,475	51.3	14,759	5.4
Middle-income	342,295	198,914	33.2	58.1	125,303	36.6	18,078	5.3
Upper-income	372,740	264,699	44.2	71.0	87,022	23.3	21,019	5.6
Tract not reported	11	7	0.0	63.6	4	36.4	0	0.0
Total AA	1,042,254	599,032	100.0	57.5	385,471	37.0	57,751	5.5
2010 Median Family Income			\$83,735	December 2012 Median Housing Value ⁷			\$470,000	
2012 HUD Adjusted Median Family Income			\$85,300	December 2012 Unemployment Rate ⁸			6.8%	

Economic Conditions

The Orange assessment area economy is driven by the service-providing sector, with over 82 percent of jobs being in this sector.⁹ Key employment sectors include professional and business services; trade, transportation and utilities; goods-producing; leisure and hospitality services; manufacturing; and education and health services.¹⁰ The area has a number of large private and public employers, including the Boeing Company, St. Joseph Health System, University of California at Irvine, Walt Disney Company, and Yum! Brands, Inc.¹¹ Although these large employers exert a significant influence on the overall economy, small businesses (i.e., with gross annual revenues of \$1 million or less) remain a substantial

⁷ DataQuick, *Southland Closes 2012 with Higher Sales and Prices*, available at: <http://www.dqnews.com/Articles/2013/News/California/Southern-CA/RRSCA130115.aspx>, (accessed April 23, 2013).

⁸ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

⁹ See the http://beta.bls.gov/maps/cew/CA?period=2012-Q3&industry=10&geo_id=06059&chartData=3&distribution=Quantiles&pos_color=blue&neg_color=orange&showHideChart=show&ownerType=5 (accessed May 7, 2013).

¹⁰ See the http://beta.bls.gov/maps/cew/CA?period=2012-Q3&industry=10&geo_id=06059&chartData=3&distribution=Quantiles&pos_color=blue&neg_color=orange&showHideChart=show&ownerType=5 (accessed May 7, 2013).

¹¹ Moody's, *Precis®METRO*, Santa Ana, August 2012.

majority of all businesses in the assessment area. As shown in Exhibit 4, small businesses comprise almost 90 percent of businesses in the assessment area.

The economy of the Orange assessment area had a faster recovery from the recession in contrast to the bank's other assessment areas. In an average month in 2010, more than 150,000 workers were looking for jobs in Orange County.¹² However, in 2011, as non-defense technology services and visitor-dependent industries grew,¹³ the economy began its slow recovery and Orange County became the first metropolitan area in the state to post positive year-over-year job growth.¹⁴ By the end of the review period, the recovery continued to strengthen, boosted by job growth in business and other services, retail, temporary employment and visitor-dependent industries, which offset layoffs in construction and aerospace.¹⁵ As a result, the county's unemployment rate during the review improved from a high of 9.2 percent in January 2011, a figure well below the state of California unemployment rate of 12.7 percent, to 6.8 percent in December 2012, and continues to remain the lowest in Southern California.¹⁶

Assessment area home prices declined at the beginning of the review period but started to recover by the end of the review period. This decline in prices may be attributed, in part, to elevated levels of foreclosures that contributed to an excess supply of housing inventory.¹⁷ In the fourth quarter of 2011, 18.3 percent of mortgages or nearly one out of every five homes was valued below what consumers had owed.¹⁸ Also contributing to the performance of the housing market was tightening of underwriting standards for mortgage lenders.¹⁹ Stricter underwriting standards combined with concerns about strategic defaults, resulted in fewer buyers qualifying for mortgages, which reduced the number of home sales and appraised home values. However, improvements in the labor market began to stimulate the housing market recovery. By October 2012, home sales had increased 40.5 percent from October 2011, and the median home price rose 12.3 percent, increasing from \$405,000 to \$455,000.²⁰ By the end of the review period, December 2012, the median home price was \$470,000.²¹

¹² U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, Labor Force Data by County, 2010 annual averages, not seasonally adjusted; available at: <https://www.bls.gov/lau/#tables>, (accessed on February 6, 2013).

¹³ Moody's, *Precis®METRO*, Santa Ana, April 2012

¹⁴ Los Angeles County Economic Development Corporation, Kyser Center for Economic Research, *2011-2012 Mid-Year Economic Forecast and Industry Outlook – July 2011*, Page 62; available at: <http://laedc.org>, (accessed February 6, 2013).

¹⁵ Moody's, *Precis®METRO*, Santa Ana, August 2012

¹⁶ U.S. Bureau of Labor Statistics, Labor Force Data By County, not seasonally adjusted; available at: <http://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=u>, (accessed February 6, 2013).

¹⁷ Speech by Member of the Board of Governors Sarah Bloom Raskin, *Downturns and Recoveries – What the Economies in Los Angeles and the United States Tell Us*, Page 4, April 12, 2012.

¹⁸ Jonathon Lansner and Jeff Collins, "California Mortgages: 6th Most 'Under Water'," Orange County Register, March 19, 2012; available at: <http://lansner.ocregister.com/2012/03/19/calif-6th-most-underwater-state-in-u-s/159697/>, (accessed on February 6, 2013).

¹⁹ Speech by Member of the Board of Governors Sarah Bloom Raskin, *Downturns and Recoveries – What the Economies in Los Angeles and the United States Tell Us*, Page 4, April 12, 2012.

²⁰ DataQuick, *Southland Home Sales, Median Price Rise Above Year Ago*; available at: <http://www.dqnews.com/Articles/2012/News/California/Southern-CA/RRSCA121113.aspx>, (accessed February 7, 2013).

²¹ DataQuick, *Southland Southland Closes 2012 With Higher Sales Prices*; available at <http://www.dqnews.com/Articles/2013/News/California/Southern-CA/RRSCA130115.aspx>

Credit Needs

Access to credit for businesses, particularly for small business owners, was a concern during the Great Recession.²² In 2011, nationwide demand for credit appeared to be on the rise, as reflected in the results of the Federal Reserve System's January 2012 Senior Loan Officer Survey on Bank Lending Practices.²³ In that survey, approximately 15 percent of domestic banks reported stronger demand for commercial and industrial (C&I) loans from businesses of all sizes, the highest level since 2005. Furthermore, lending standards eased somewhat throughout 2011 as 13.5 percent of institutions reported an easing of standard.²⁴ In another National Federation of Independent Business (NFIB) survey conducted in December 2011, seven percent of business owners reported that not all of their credit needs were met.²⁵ As the economy grew, six percent reported that not all credit needs were met.²⁶ Similarly, community contacts indicated that many businesses after the recession had started to borrow again. They also stated that microloans (i.e., loans in the amount of \$25,000 and less) and working capital lines in amounts of \$250,000 and less were critical needs for small businesses.

In the Orange assessment area, housing affordability remains a challenge for low- and moderate-income households. According to the previously mentioned California Association of Realtors' Traditional Housing Affordability Index, the percentage of households able to afford a median priced home in Los Angeles County was 38 percent for the fourth quarter of 2011. For the fourth quarter 2012, the percentage was 34 percent.²⁷ Thus, during the period, the indices indicate that over 60 percent of the assessment area's households could afford a median-priced home.

According to *Vantage Point: The 12th District Community Indicators Project*, a quarterly survey conducted by the Community Development Department of the Federal Reserve Bank of San Francisco, demand for social services, such as food stamps, workforce retraining, and affordable housing, is increasing; as a result, it is outstripping the ability of local organizations to provide these services.²⁸ A reduction in funding from state and local government budget cuts also exacerbates the problem.²⁹ Despite these shortfalls, services are still being offered. Despite budget cuts, the City of Anaheim, for

²² The American Banker, February 8, 2010, *Agencies Urge Loans to Small Businesses*; available at: http://www.americanbanker.com/issues/175_25/agencies-urge-loans-to-small-biz-1011031-1.html, (accessed August 7, 2012).

²³ Board of Governors of the Federal Reserve System, *The January 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices*, January 2012, Page 3; available at: <http://www.federalreserve.gov/boarddocs/snloansurvey/201201/fullreport.pdf>, (accessed February 7, 2013).

²⁴ Board of Governors of the Federal Reserve System, *The April 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices*, October 2012, Page 12; available at: <http://www.federalreserve.gov/boarddocs/snloansurvey/201210/fullreport.pdf>, (accessed February 7, 2013).

²⁵ National Federation of Independent Businesses, *NFIB Small Business Economic Trends*, January 2012, Page 4; available at: <http://www.nfib.com/Portals/0/PDF/sbet/sbet201201.pdf>, (accessed February 10, 2013).

²⁶ National Federation of Independent Businesses, *NFIB Small Business Economic Trends*, December 2012, Page 4; available at: <http://www.nfib.com/Portals/0/PDF/sbet/sbet201301.pdf>, (accessed February 11, 2013).

²⁷ California Association of Realtors, *Traditional Housing Affordability Index*; available at: <http://www.car.org/marketdata/data/haitraditional/>, (accessed February 6, 2013).

²⁸ Federal Reserve Bank of San Francisco, 2012 - "Vantage Point: The 12th District Community Indicators Project," Page 7, survey conducted September 2011; available at: <http://www.frbsf.org/publications/community/vantage-point>, (accessed February 7, 2013).

²⁹ Moody's, *Precis[®]METRO*, Santa Ana, April 2012.

example, has funded new affordable housing projects which will create 155³⁰ affordable housing units to combat the assessment area's high cost of living, which negatively impacts minorities and immigrants.³¹ Additionally, the Rental Assistance for Families in Transition Program, which provides direct financial assistance to very low-income families and individuals in the form of temporary rental subsidies, expended \$2 million and served a total of 151 very low-income households.³² With government budget cutbacks, local organizations have been asked to deliver social services for low- and moderate-income individuals and families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ORANGE

Lending Test

The lending test performance in the Orange assessment area is reasonable. Loans were reasonably dispersed throughout the assessment area, and the level of lending to business of different sizes is reasonable.

Lending Distribution by Geography

The geographic distribution of small business loans reflects a reasonable penetration among geographies of different income levels. Generally, small business loans were made in close proximity to the areas surrounding the bank's branches and there were no conspicuous gaps in lending patterns. As shown in Exhibit 6, in 2011 and 2012, the bank extended loans within geographies of all income levels except for low-income geographies. The bank demonstrated adequate performance in moderate-income geographies where their level of lending, although less than, reasonably compared to the percentage of businesses in moderate-income geographies and the level of aggregate lending; these loans were generally made in close proximity to the areas surrounding two branches and there were no conspicuous gaps. The lack of lending in low-income census tracts was considered reasonable given the limited lending opportunities and the considerable distance of the bank's two branch offices from the low-income census tracts in the Orange assessment area.

³⁰ City of Anaheim, *Fiscal Year 2011-2012 Consolidated Annual Performance and Evaluation Report*, Page 9; available at: http://www.anaheim.net/com_dev/aRT/Caper2012.pdf, (accessed February 12, 2013).

³¹ *Ibid*, Page 34.

³² *Ibid*, Page 18.

EXHIBIT 6 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS ³³								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
2011								
Bank Lending	0	0.0	5	12.2	11	26.8	25	61.0
Aggregate Lending	1,929	2.2	20,926	23.4	28,267	31.6	38,214	42.8
Business Concentration	6,073	2.9	56,523	27.1	72,072	34.6	73,831	35.4
2012								
Bank Lending	0	0.00	6	20.0	9	30.0	15	50.0
Aggregate Lending	-	-	-	-	-	-	-	-
Business Concentration	-	-	-	-	-	-	-	-

Lending Distribution by Business Revenue

The distribution of loans among businesses of different sizes is adequate. As shown in Exhibit 7, 31 percent of small business loans made in the assessment area, were loans to businesses with gross annual revenues of \$1 million or less. While significantly below the concentration of businesses and aggregate lenders in the assessment area in 2011, approximately 31 percent of the bank’s total lending (2011 and 2012) to small businesses demonstrates an adequate level of lending, primarily because loans were targeted to small dollar amount loans. Approximately 55 percent of small business loans in 2011 and 2012, were in smaller dollar amounts (i.e., less \$250,000), which was responsive to an identified credit need in the community.

EXHIBIT 7 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS ³⁴							
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 (%)
2011	42	35.7	89.6	47.8	57.1	21.4	21.4
2012	30	26.7	-	-	53.3	20.0	26.7

³³ 2012 Aggregate Data and Dun & Bradstreet Data not yet available.

³⁴ 2012 Aggregate Data not yet available.

Community Development Test

ASB demonstrated an adequate level of community development activities that were generally responsive to the needs of the assessment area. The bank originated two community development loans totaling approximately \$1.3 million to a small business, extended under the SBA 504 loan program, fostering economic development by allowing the business to purchase an owner-occupied industrial building which houses a large retail franchise chain that retains seven jobs to low- and moderate-income individuals.

As shown in Exhibit 8, community development investments consisted of eight donations totaling \$11 thousand to organizations providing social services, such as emergency shelter and food services, targeted to low- and moderate-income individuals. Lastly, the bank provided 325 hours of critical social services. Social services supported childcare and children education. Bank officers provided financial expertise to three different organizations that provide essential services, such as emergency food services, to low- and moderate-income individuals and families.

EXHIBIT 8 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
	#	\$ ('000s)	Prior Period		Current Period		#	Hours
			#	\$ ('000s)	#	\$ ('000s)		
Orange	2	1,284	-	-	8	11	49	325

Los Angeles Assessment Area

DESCRIPTION OF OPERATIONS IN LOS ANGELES

The Los Angeles assessment area consists of Los Angeles County in its entirety and comprises the Los Angeles-Long Beach-Glendale MD. Los Angeles County stretches over 4,000 square miles and is comprised of 88 incorporated cities, with the city of Los Angeles being the most populous with over 4 million residents. With an estimated 10.5 million residents, Los Angeles County is the most populous county in the State of California's 38 million residents.³⁵ The city of Lancaster, where ASB has a branch presence, ranks ninth with 145,875 residents.³⁶ The branch is in Lancaster, which is located in the northern part of the county in the Antelope Valley area; the Antelope Valley area is a bedroom community with a major portion of the population commuting to work in other parts of the county. The Lancaster branch, located approximately 60 miles north of the city of Los Angeles, is located a considerable distance from the majority of low-income census tracts located in the southern portion of the Los Angeles assessment area.

With only one branch, ASB has a limited presence in a highly competitive market for deposit and loan products as well as community development opportunities. As of June 30, 2012, the bank's one office held \$103.3 million in deposits, representing less than one percent of the share of deposits in this market, where 124 FDIC-insured financial institutions operated 1,787 offices with deposits exceeding \$266.1 billion.³⁷ To illustrate the competitiveness of the small business lending market, in 2011, there were 166 lenders reporting small business loans pursuant to the reporting requirements of CRA; most of these were large regional and national institutions. These lenders, which represent only a portion of the commercial lending market, extended 228,379 small business loans totaling \$6.8 billion.³⁸

Exhibit 9 and 10, on the following two pages, present key demographic and business information used to help develop a performance context for the assessment area. They are based on both the 2000 and 2010 U.S. Census and 2011 Dun and Bradstreet data. Dun and Bradstreet data is not yet available for 2012. Exhibit 9 represents the data against which the bank's 2011 lending was evaluated, while Exhibit 10 was used for the assessment of the bank's 2012 lending. The Los Angeles assessment area experienced an increase in population and in the number of census tracts since the 2000 census. Total census tracts increased from 2,054 to 2,346. Specifically, the number of low-income census tracts increased from 179 to 211, moderate-income census tracts increased from 581 to 672, middle-income census tracts increased from 575 to 628, and upper-income census tracts increased from 703 to 798.

³⁵ Local Area Profile, Population in State of California; available at: <http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSMOREResult.asp?menuChoice=localAreaPro&criteria=Population&categoryType=population+census+data&geogArea=0604000037&area=Los+Angeles+County×eries=PopulationTimeSeries.>, (accessed February 6, 2013).

³⁶ California Department of Finance, Estimated Population of the 88 Cities in the County of Los Angeles; available at: http://ceo.lacounty.gov/forms/Population%20Pg_Color.pdf, (accessed April 22, 2013)

³⁷ Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 30, 2012; available at: <http://www2fdic.gov/sod.>, (accessed February 4, 2013).

³⁸ Information based on aggregate data consisting of institutions required to file annual CRA data.

EXHIBIT 9 ASSESSMENT AREA DEMOGRAPHICS LOS ANGELES COUNTY 2000 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	179	8.7	152,357	7.1	60,274	39.6	515,024	23.9
Moderate-income	581	28.3	591,619	27.5	143,264	24.2	355,426	16.5
Middle-income	575	28.0	652,267	30.3	75,230	11.5	375,132	17.4
Upper-income	703	34.2	758,068	35.2	32,458	4.3	908,729	42.2
Tract not reported	16	0.8	0	0.0	0	0.0	0	0.0
Total AA	2,054	100.0	2,154,311	100.0	311,226	14.4	2,154,311	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	237,505	28,678	1.9	12.1	192,342	81.0	16,485	6.9
Moderate-income	844,083	231,834	15.5	27.5	571,826	67.7	40,423	4.8
Middle-income	981,541	469,348	31.3	47.8	475,616	48.5	36,577	3.7
Upper-income	1,207,754	769,834	51.3	63.7	394,275	32.6	43,645	3.6
Tract not reported	26	0	0.0	0.0	21	80.8	5	19.2
Total AA	3,270,909	1,499,694	100.0	45.8	1,634,080	50.0	137,135	4.2
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	42,121	7.3	36,727	7.0	3,462	9.2	1,932	9.2
Moderate-income	115,790	19.9	102,680	19.7	8,278	22.1	4,832	23.0
Middle-income	158,875	27.3	142,428	27.3	10,451	27.9	5,996	28.6
Upper-income	259,768	44.7	237,260	45.4	14,550	38.8	7,958	37.9
Tract not reported	4,348	0.7	3,323	0.6	758	2.0	267	1.3
Total AA	580,902	100.0	522,418	100.0	37,499	100.0	20,985	100.0
Percentage of Total Businesses			89.9		6.5		3.6	
2004 Median Family Income			\$46,509		December 2011 Median Housing Value ³⁹		\$309,000	
2011 HUD Adjusted Median Family Income			\$64,000		December 2011 Unemployment Rate ⁴⁰		11.6%	

³⁹ California Association of Realtors®, *Trends In California Real Estate*, Volume 33, Number 1, January 2012.

⁴⁰ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

EXHIBIT 10 ASSESSMENT AREA DEMOGRAPHICS LOS ANGELES COUNTY 2010 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	211	9.0	154,899	7.1	56,456	36.4	522,024	24.1
Moderate-income	672	28.6	603,256	27.8	124,935	20.7	356,500	16.4
Middle-income	628	26.8	607,359	28.0	59,835	9.9	382,899	17.6
Upper-income	798	34.0	804,630	37.1	32,395	4.0	908,804	41.9
Tract not reported	37	1.6	83	0.0	0	0.0	0	0.0
Total AA	2,346	100.0	2,170,227	100.0	273,621	12.6	2,170,227	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	256,638	33,122	2.1	12.9	202,783	79.0	20,733	8.1
Moderate-income	904,984	257,733	16.6	28.5	588,564	65.1	58,387	6.5
Middle-income	932,499	444,580	28.6	47.7	436,403	46.8	51,516	5.5
Upper-income	1,329,338	816,521	52.6	61.4	435,913	32.8	76,904	5.8
Tract not reported	2,227	135	0.0	5.9	1,835	80.6	307	13.5
Total AA	3,425,736	1,552,091	100.0	45.3	1,665,798	48.6	207,847	6.1
2010 Median Family Income			\$61,622	December 2012 Median Housing Value ⁴¹			\$352,000	
2012 HUD Adjusted Median Family Income			\$64,800	December 2012 Unemployment Rate ⁴²			10.2%	

Economic Conditions

The Los Angeles assessment area's economy is large and diverse, driven by film production, tourism, international trade, apparel design and manufacturing, business and professional services, health services, and technology.⁴³ Through 2011, Los Angeles County's real gross domestic product grew at 1.8 percent and was ranked 20th in the world.⁴⁴ Key employment sectors include retail trade, professional and business services, education and health services, and leisure and hospitality.⁴⁵ Major employers include, but are not limited to, Boeing Company, Kaiser Permanente, Kroger Company, Target

⁴¹ DataQuick, *Southland Closes 2012 with Higher Sales and Prices*, available at: <http://www.dqnews.com/Articles/2013/News/California/Southern-CA/RRSCA130115.aspx>, (accessed April 23, 2013).

⁴² Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

⁴³ Los Angeles County Economic Development Corporation, Kyser Center for Economic Research, *2012-2013 Economic Forecast and Industry Outlook - February 2012*, Page 74; available at: <http://laedc.org>, (accessed February 12, 2013).

⁴⁴ Los Angeles County Economic Development Corporation, Kyser Center for Economic Research, *2012-2013 Mid-Year Economic Forecast and Industry Outlook - July 2012*, Page 31; available at: <http://laedc.org>, (accessed February 7, 2013).

⁴⁵ Moody's, *Precis®METRO*, Los Angeles, August 2012.

Corporation, University of California at Los Angeles, and University of Southern California.⁴⁶ Although these large employers exert a significant influence on the overall economy, small businesses (i.e., with gross annual revenues of \$1 million or less) remain a substantial majority of all businesses in the assessment area. As shown in Exhibit 9, small businesses comprised 89.9 percent of businesses in the assessment area.

The recession's impact on Los Angeles had been greater than the nation as a whole, resulting in a much more difficult recovery.⁴⁷ During the review period, the assessment area's economy continued to recover slowly from the Great Recession. Early in 2011, job losses in sectors such as finance and local government offset gains in areas such as technology services, education and health, and hospitality, and the negative trend put the county in danger of slipping back into recession.⁴⁸ However, by year-end 2012, the assessment area's economy began gaining strength. The county saw job gains in construction, education, health services, leisure and hospitality, and professional and business services.⁴⁹ As a result, the county's unemployment rate improved from a high of 12.9 percent in January 2011 to a low of 10.2 in December 2012,⁵⁰ but remained above the state figures of 12.7 and 9.7 percent, respectively.⁵¹

Assessment area home prices declined in 2011 but recovered throughout 2012. In Los Angeles, high levels of unemployment contributed to increased mortgage defaults, foreclosures and distressed home sales; as a result, more than one out of every four homes sold in 2011 was a repossessed bank property.⁵² Also contributing to the performance of the housing market was the tightening of underwriting standards for mortgage lenders.⁵³ However, improvements in the labor market began to stimulate the housing market recovery. By October 2012, home sales had risen 24.7 percent above October 2011 sales and the median home price had risen 13.7 percent, increasing from October 2011's \$300,000 to \$341,000.⁵⁴ By the end of the review period the median home price was \$352,000, up 15.4 percent from December 2011.⁵⁵

⁴⁶ Ibid.

⁴⁷ Speech by Member of the Board of Governors Sarah Bloom Raskin, *Downturns and Recoveries – What the Economies in Los Angeles and the United States Tells Us*, Page 2-3, April 12, 2012.

⁴⁸ Moody's, *Precis[®]METRO*, Los Angeles, April 2011.

⁴⁹ Moody's, *Precis[®]METRO*, Los Angeles, August 2012.

⁵⁰ U.S. Bureau of Labor Statistics, Labor Force Data by County, not seasonally adjusted; available at: <http://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=u.>, (accessed February 7, 2013).

⁵¹ U.S. Bureau of Labor Statistics, Labor Force Data by State, not seasonally adjusted; available at: <http://data.bls.gov/map/MapToolServlet?survey=la&map=state&seasonal=u.>, (accessed February 7, 2013).

⁵² Speech by Member of the Board of Governors Sarah Bloom Raskin, *Downturns and Recoveries – What the Economies in Los Angeles and the United States Tells Us*, Page 3-4, April 12, 2012.

⁵³ Ibid, Page 5, April 12, 2012.

⁵⁴ DataQuick, *Southland Home Sales, Median Price Rise Above Year Ago*; available at: <http://www.dqnews.com/Articles/2012/News/California/Southern-CA/RRSCA121113.aspx>, (accessed February 7, 2013).

⁵⁵ DataQuick, *Southland Closes 2012 With Higher Sales and Prices*; available at <http://www.dqnews.com/Articles/2013/News/California/Southern-CA/RRSCA130115.aspx> (accessed May 2, 2013).

Credit Needs

As mentioned in the Orange assessment area, access to credit for businesses, particularly for small business owners, was a constrained during the Great Recession.⁵⁶ According to national data reported under the CRA, the number of small business loans reported decreased 31 percent from 2009 to 2010.⁵⁷ This decrease may partly reflect a limited demand for credit by small business owners. A January 2011 NFIB survey of business owners with 250 employees or less supported this conclusion, stating that 80.5 percent of those polled did not apply for credit because they did not want credit.⁵⁸ In another NFIB survey conducted in December 2011, seven percent of business owners reported that not all of their credit needs were met.⁵⁹ As the economy grew, six percent reported that not all credit needs were met.⁶⁰

However, the Federal Reserve System's January 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices reported that nationwide demand for credit appeared to be on the rise in the last three months of 2011.⁶¹ Approximately 15 percent of domestic banks reported stronger demand for commercial and industrial (C&I) loans from businesses of all sizes, the highest level since 2005. Similarly, community contacts with management at nonprofit organizations that provide assistance to small businesses in the assessment area supported the conclusion that many business owners who postponed borrowing during the recession had started to borrow again by the fall of 2011. Similar to Orange, Los Angeles community contacts reported that microloans (i.e., loans in the amounts of \$25,000 and less) and working capital lines in amounts of \$250,000 and less were critical needs for small businesses.

As with the Orange assessment area, housing affordability in the assessment area remains a challenge for low- and moderate-income families, despite the decline of home prices during the review period. The California Association of Realtors' Traditional Housing Affordability Index provides a measure of the percentage of families that can afford a median priced home. According to this index, the percentage of families able to afford a median priced home in Los Angeles County decreased from 49 percent to 42 percent between the second and third quarter of 2012. However, the third quarter index remained consistent since the prior year.⁶² While the general direction is improving, the figures still indicate that

⁵⁶ The American Banker, February 8, 2010, *Agencies Urge Loans to Small Businesses*; available at: http://www.americanbanker.com/issues/175_25/agencies-urge-loans-to-small-biz-1011031-1.html, (accessed February 11, 2013).

⁵⁷ FFIEC (2010), "Findings from Analysis of Nationwide Summary Statistics for 2010 Community Reinvestment Act Data Fact Sheet (August 2011)," available at: http://www.ffiec.gov/hmcrpr/cra_fs11.htm, (accessed June 21, 2012).

⁵⁸ National Federation of Independent Businesses, *Financing Small Businesses: Small Businesses and Credit Access*, January 2011, Page 44; available at: <http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/Small-Business-Credit-Access-NFIB.pdf>, (accessed February 10, 2013).

⁵⁹ National Federation of Independent Businesses, *NFIB Small Business Economic Trends*, January 2012, Page 4, available at: <http://www.nfib.com/Portals/0/PDF/sbet/sbet201201.pdf>, (accessed February 10, 2013).

⁶⁰ National Federation of Independent Businesses, *NFIB Small Business Economic Trends*, December 2012, Page 4; available at: <http://www.nfib.com/Portals/0/PDF/sbet/sbet201301.pdf>, (accessed February 11, 2013).

⁶¹ Board of Governors of the Federal Reserve System, *The January 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices, January 2012*, Page 1; available at <http://www.federalreserve.gov/boarddocs/snloansurvey/201201/default.htm>, (accessed April 13, 2012).

⁶² California Association of Realtors, *Traditional Housing Affordability Index*; available at: <http://www.car.org/marketdata/data/traditional/>, (accessed on February 10, 2013).

less than half of the assessment area's households can afford a median-priced home. Another factor keeping many potential homebuyers out of the market, as discussed previously, is competition from investors who are buying foreclosed homes and reselling.

According to *Vantage Point: The 12th District Community Indicators Project*, a quarterly survey conducted by the Community Development Department of the Federal Reserve Bank of San Francisco, demand for social services such as food stamps, workforce retraining, and affordable housing, has increased dramatically, straining the capacity of local non-profit organizations to provide these services, particularly given cutbacks in state government funding.⁶³ Despite these shortfalls, services are still being offered. For example, the City of Los Angeles approved a plan to newly construct and rehab a total of 1,166 new affordable units which will be funded with the Affordable Housing Trust Fund (AHTF).⁶⁴ Additionally, Emergency Solutions Grant (ESG) funds were distributed to the following programs: job training (\$117,000); winter shelter program (\$1.6 million); and the homeless shelter and services (\$494,000).⁶⁵ With government budget cutbacks, local organizations have been asked to deliver more social services to low- and moderate-income individuals and families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES

Lending Test

The lending test performance in Los Angeles is reasonable. Overall, loans were reasonably distributed throughout the assessment area geographies and to businesses of different revenue sizes. Performance was particularly notable for loans made within moderate-income census tracts and the level of lending to small businesses in small dollar amounts.

Lending Distribution by Geography

The geographic distribution of small business loans reflects reasonable penetration among geographies of different income levels. Generally, small business loans were made in close proximity to the areas surrounding the bank's branch and there were no conspicuous gaps in lending patterns. As shown in Exhibit 11, on the next page, small business loans were extended within census tracts of all income levels, with the exception of low-income census tracts in 2011, and there is noteworthy performance in moderate-income census tracts where, in 2011, the bank's lending exceeded both the percentage of businesses and aggregate lending. In 2012, the bank's lending in moderate-income census tracts is also noteworthy. Conversely, in 2011, there was a lack of lending in low-income census tracts, but considered reasonable given the considerable distance of the branch from the low-income census tracts in the Los Angeles assessment area.

⁶³ Federal Reserve Bank of San Francisco, 2011 - "Vantage Point: The 12th District Community Indicators Project," survey conducted September 2010, Page 2; available at: <http://www.frbsf.org/publications/community/vantage-point>, (accessed June 12, 2012.)

⁶⁴ City of Los Angeles, California, *Consolidated Annual Performance and Evaluation (CAPER) 37th Program Year (2011-2012)*, Page 8; available at: http://www.ci.la.ca.us/cdd/pdfs/caper/caper1112/37_caper-draft.pdf, (accessed February 12, 2013).

⁶⁵ *Ibid*, Page 12.

EXHIBIT 11 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS ⁶⁶								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
2011								
Bank Lending	0	0.0	17	29.3	27	46.6	14	24.1
Aggregate Lending	11,918	5.3	37,108	16.4	57,750	25.5	119,911	52.9
Business Concentration	42,121	7.3	115,790	20.1	158,875	27.6	259,768	45.1
2012								
Bank Lending	2	5.7	17	48.6	11	31.4	5	14.3
Aggregate Lending	-	-	-	-	-	-	-	-
Business Concentration	-	-	-	-	-	-	-	-

Lending Distribution by Business Revenue

The distribution of loans among businesses of different sizes is adequate. As shown in Exhibit 12, 34 percent of small business loans made in the assessment area were loans to businesses with gross annual revenues of \$1 million or less. While this level is significantly below the concentration of businesses and below aggregate lenders in 2011, it still evidenced a reasonable number of loans to small businesses and almost 50 percent of small business loans were in smaller dollar amounts (i.e., less \$250,000), which was responsive to an identified credit need in the community.

EXHIBIT 12 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 (%)
2011	58	31.0	89.9	45.9	53.4	17.2	29.3
2012	35	37.1	-	-	45.7	20.0	34.3

Community Development Test

ASB demonstrated an adequate level of community development activities that were responsive to the needs of the assessment area. As discussed previously, the bank's community development lending includes of loans to businesses operating in Enterprise Zones. By designating these low- and moderate-income geographies as an Enterprise Zone, the state's goal is to revitalize and stabilize the geographies by attracting to and retaining businesses in the area through various incentives. In keeping with the state's purpose, the bank's community development lending has contributed to the revitalization and stabilization of these low- and moderate-income geographies by financing the operations of nine area businesses. The bank's investments in the assessment area consist most of a certificate of deposit in a

⁶⁶ 2012 Aggregate Data and Dun & Bradstreet Data not yet available.

community development financial institution (CDFI). There were also 12 donations totaling \$7,000 to organizations that provides social services, such as abuse therapy and treatment programs to low- and moderate-income individuals. Lastly, the bank provided 78 hours of services, providing financial expertise as board members to an organization that provides family support services primarily to low- and moderate-income individuals.

EXHIBIT 13 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Los Angeles	15	12,255	-	-	13	256	22	78

Riverside Assessment Area

DESCRIPTION OF OPERATIONS IN RIVERSIDE

The Riverside assessment area consists of Riverside County in its entirety and is part of the Riverside-San Bernardino-Ontario MSA. Riverside County is located in southeastern California and is situated on the eastern border of Orange County, the southern border of San Bernardino County, the northern borders of San Diego and Imperial Counties, and the western border of the state of Arizona. As the fourth largest county in the state of California, covering over 7,200 square miles, the county consists of mostly desert. The county is often linked with San Bernardino County and both are referred to as the "Inland Empire." The 2011 estimated population of the county is 2,239,620, with the city of Riverside being the most populous with an estimated 310,651.⁶⁷ ASB's branch is located in Corona just east of Orange County. This branch is located a considerable distance from the low-income census tracts, which are located to the east, approximately 20 miles from the bank's Corona's branch.

With only one branch, ASB has a limited presence in this highly competitive market for deposit and loan products. As of June 30, 2012, the bank's one branch held \$25 million in deposits, representing less than one percent of the share of deposits in this market, where 37 FDIC-insured financial institutions operated 342 offices with deposits exceeding \$20.1 billion.⁶⁸ To illustrate the competitiveness of the small business lending market, in 2012, there were 95 lenders reporting small business loans pursuant to the reporting requirements of CRA; most of these were large regional and national institutions. These lenders represent only a portion of the commercial lending market, extended 30,415 small business loans totaling \$727.4 million.⁶⁹

Exhibit 14 and 15, on the following two pages, present key demographic and business information used to help develop a performance context for the assessment area. They are based on both the 2000 and 2010 U.S. Census and 2011 Dun and Bradstreet data. Dun and Bradstreet data is not yet available for 2012. Exhibit 14 represents the data against which the bank's 2011 lending was evaluated, while Exhibit 15 was used for the assessment of the bank's 2012 lending. The Riverside assessment area experienced an increase in population and in the number of census tracts since the 2000 census. Total census tracts increased from 343 to 453, representing a 32 percent increase. Specifically, low-income census tracts increased from 13 to 20, moderate-income census tracts increased from 95 to 122, middle-income census tracts increased from 141 to 159, and upper-income census tracts increased from 93 to 150.

⁶⁷ U.S. Census Bureau Quick Facts 2011, Riverside, CA; available at: <http://quickfacts.census.gov/qfd/states/06/0662000.html>, (accessed February 8, 2013).

⁶⁸ Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 30, 2012; available at: <http://www2fdic.gov/sod>, (accessed February 4, 2013).

⁶⁹ Information based on aggregate data consisting of institutions required to file annual CRA data.

EXHIBIT 14 ASSESSMENT AREA DEMOGRAPHICS RIVERSIDE COUNTY 2000 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	13	3.8	10,046	2.7	3,672	36.6	77,774	20.7
Moderate-income	95	27.7	92,100	24.5	17,727	19.2	65,359	17.4
Middle-income	141	41.1	152,414	40.6	14,825	9.7	75,667	20.2
Upper-income	93	27.1	120,647	32.2	3,849	3.2	156,407	41.7
Tract not reported	1	0.3	0	0.0	0	0.0	0	0.0
Total AA	343	100.0	375,207	100.0	40,073	10.7	375,207	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	15,663	4,148	1.2	26.5	10,078	64.3	1,437	9.2
Moderate-income	156,598	72,335	20.8	46.2	59,386	37.9	24,877	15.9
Middle-income	237,706	145,002	41.6	61.0	63,679	26.8	29,025	12.2
Upper-income	174,704	126,994	36.4	72.7	24,596	14.1	23,114	13.2
Tract not reported	3	0	0.0	0.0	0	0.0	3	100.0
Total AA	584,674	348,479	100.0	59.6	157,739	27.0	78,456	13.4
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	2,700	2.8	2,402	2.7	153	3.2	145	4.0
Moderate-income	24,048	24.7	21,356	24.0	1,735	36.6	957	26.6
Middle-income	37,728	38.8	34,697	39.0	1,595	33.7	1,436	40.0
Upper-income	32,727	33.7	30,418	34.2	1,255	26.5	1,054	29.3
Total AA	97,203	100.0	88,873	100.0	4,738	100.0	3,592	100.0
Percentage of Total Businesses			91.4		4.9		3.7	
2004 Median Family Income			\$47,448	December 2011 Median Housing Value ⁷⁰			\$194,000	
2011 HUD Adjusted Median Family Income			\$62,500	December 2011 Unemployment Rate ⁷¹			15.8%	

⁷⁰ California Association of Realtors®, *Trends in California Real Estate*, Volume 33, Number 1, January 2012.

⁷¹ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

EXHIBIT 15 ASSESSMENT AREA DEMOGRAPHICS RIVERSIDE COUNTY 2010 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	20	4.4	20,328	4.1	6,483	31.9	104,096	21.1
Moderate-income	122	26.9	122,018	24.7	20,960	17.2	85,086	17.3
Middle-income	159	35.1	161,520	32.8	14,773	9.1	96,162	19.5
Upper-income	150	33.1	189,249	38.4	7,543	4.0	207,771	42.1
Tract not reported	2	0.4	0	0.0	0	0.0	0	0.0
Total AA	453	100.0	493,115	100.0	49,759	10.1	493,115	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	31,489	11,056	2.4	35.1	16,526	52.5	3,907	12.4
Moderate-income	199,716	100,758	21.6	50.5	70,134	35.1	28,824	14.4
Middle-income	270,630	157,911	33.8	58.3	71,082	26.3	41,637	15.4
Upper-income	281,281	197,361	42.3	70.2	42,078	15.0	41,842	14.9
Total AA	783,116	467,086	100.0	59.6	199,820	25.5	116,210	14.8
2010 Median Family Income			\$63,176	December 2012 Median Housing Value ⁷²			\$231,000	
2012 HUD Adjusted Median Family Income			\$63,300	December 2012 Unemployment Rate ⁷³			11.1%	

Economic Conditions

The Riverside assessment area has a fairly diverse economy. Key employment sectors include retail trade, transportation, utilities, professional and business services, education, and health services.⁷⁴ Major employers include, but are not limited to, Loma Linda University, Stater Brothers Markets, United Parcel Service, and U.S. Marine Corps Air Ground Combat Center.⁷⁵ Although these large employers exert a significant influence on the overall economy, small businesses (i.e., with gross annual revenues of \$1 million or less) remain a substantial majority of all businesses in the assessment area. As shown in Exhibit 14, small businesses comprised 91.4 percent of businesses in the assessment area.

With the onset of the financial crisis, the availability of credit slowed and cash flow concerns deepened the recession and affected almost every industry sector in the region. In the beginning of the review

⁷² DataQuick, *Southland Closes 2012 with Higher Sales and Prices*, available at: <http://www.dqnews.com/Articles/2013/News/California/Southern-CA/RRSCA130115.aspx>, (accessed April 23, 2013).

⁷³ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

⁷⁴ Moody's, *Precis®METRO*, Riverside, August 2012.

⁷⁵ *Ibid.*

period, Riverside County's economy was California's weakest major metro area.⁷⁶ The region was at risk of slipping back into a recession but transitioned into fledgling recovery at year-end 2012.⁷⁷

During the review period, the Inland Empire's economy experienced slow growth with over 30,800 jobs created since the end of 2009 as the unemployment rate began its downward descent from a high of 14.6 percent⁷⁸ in July 2011 to 11.1 percent⁷⁹ at the end of 2012. The housing market, which had been decimated during the Great Recession, also showed signs of recovery. Home prices in the Riverside assessment area declined initially but recovered throughout the review period. Also contributing to the housing market was the tightening of underwriting standard for mortgage lenders.⁸⁰ However, with a slightly improving labor market, home sales rose 12.6 percent, and the median home price rose 17.6 percent, increasing from \$194,000 to \$231,000 since the prior year end.⁸¹

Credit Needs

As previously discussed in the Orange and Los Angeles assessment areas, access to credit for businesses, particularly for small business owners, was a constrained during the Great Recession.⁸² According to national data reported under the CRA, the number of small business loans reported decreased 31 percent from 2009 to 2010.⁸³ This decrease may partly reflect a limited demand for credit by small business owners. A January 2011 NFIB survey of business owners with 250 employees or less supported this conclusion, stating that 80.5 percent⁸⁴ of those polled did not apply for credit because they did not want credit. In another NFIB survey conducted in December 2011, seven percent of business owners reported that not all of their credit needs were met.⁸⁵ As the economy grew, six percent reported that not all credit needs were met.⁸⁶

⁷⁶ Moody's, *Precis®METRO: Riverside*, April 2011.

⁷⁷ Moody's, *Precis®METRO: Riverside*, December 2011.

⁷⁸ Beacon Economics, LLC and University of California at Riverside, School of Business Administration, *2012 Riverside/San Bernardino Economic Forecast*, Volume 6 Number 2 December 2012, Page 35; available at: https://beaconecon.com/Misc/2012_RSB_Book_Online.pdf, (accessed February 4, 2013).

⁷⁹ Bureau of Labor Statistics, *Local Area Unemployment Statistics by County, Not Seasonally Adjusted*; available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed February 11, 2013).

⁸⁰ Speech by Member of the Board of Governors Sarah Bloom Raskin, *Downturns and Recoveries – What the Economies in Los Angeles and the United States Tells Us*, Page 5, April 12, 2012.

⁸¹ DataQuick, *Southland Home Sales, Median Price Rise Above Year Ago, November 13, 2012*; available at: <http://www.dqnews.com/Articles/2012/News/California/Southern-CA/RRSCA121113.aspx>, (accessed February 10, 2013).

⁸² *The American Banker*, February 8, 2010, *Agencies Urge Loans to Small Businesses*; available at: http://www.americanbanker.com/issues/175_25/agencies-urge-loans-to-small-biz-1011031-1.html, (accessed February 11, 2013).

⁸³ FFIEC (2010), "Findings from Analysis of Nationwide Summary Statistics for 2010 Community Reinvestment Act Data Fact Sheet (August 2011)," available at: http://www.ffiec.gov/hmcrpr/cra_fs11.htm, (accessed February, 2013).

⁸⁴ National Federation of Independent Businesses, *Financing Small Businesses: Small Businesses and Credit Access*, January 2011, Page 44; available at: <http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/Small-Business-Credit-Access-NFIB.pdf>, (accessed February 10, 2013).

⁸⁵ National Federation of Independent Businesses, *NFIB Small Business Economic Trends*, January 2012, Page 4, available at: <http://www.nfib.com/Portals/0/PDF/sbet/sbet201201.pdf>, (accessed February 10, 2013).

⁸⁶ National Federation of Independent Businesses, *NFIB Small Business Economic Trends*, December 2012, Page 4; available at: <http://www.nfib.com/Portals/0/PDF/sbet/sbet201301.pdf>, (accessed February 11, 2013).

However, the Federal Reserve System's January 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices reported that nationwide demand for credit appeared to be on the rise in the last three months of 2011.⁸⁷ Approximately 15 percent of domestic banks reported stronger demand for C&I loans from businesses of all sizes, the highest level since 2005. Similarly, community contacts with management at nonprofit organizations that provide assistance to small businesses in the assessment area supported the conclusion that many business owners who postponed borrowing during the recession had started to borrow again by the fall of 2011. Similar to Orange and Los Angeles, Inland Empire community contacts identified microloans (i.e., loans in the amounts of \$25,000 and less) and working capital lines in amounts of \$250,000 and less as critical needs for small businesses.

In contrast to the Orange and Los Angeles assessment areas, housing affordability in the Riverside assessment area is higher. According to the California Association of Realtors' Traditional Housing Affordability Index, the percentage of households able to afford a median priced home in Riverside County was 66 percent as of the fourth quarter of 2011. For the fourth quarter 2012, the percentage was 62 percent.⁸⁸ While the affordability had somewhat decreased, overall a median priced home in Riverside was still affordable to a large majority of assessment area households.

According to *Vantage Point: The 12th District Community Indicators Project*, a quarterly survey conducted by the Community Development Department of the Federal Reserve Bank of San Francisco, demand for social services such as food stamps, workforce retraining, and education, has increased dramatically, straining the capacity of local non-profit organizations to provide these services, particularly given cutbacks in state government funding.⁸⁹ Assessment area needs continue to outweigh the county's available resources which are not sufficient to address all low- and moderate-income persons' needs.⁹⁰ However, steps are being taken to implement community service projects and programs. For example, the First Time Home Buyer Program, which provides down payment assistance to low- and very-low income households with an annual income no greater than 80 percent of the area median income, expended \$964,000⁹¹ and assisted 33 households.⁹² Additionally, the county provided NSHP assistance to 14 low-, moderate-, and middle-income households and expended a total of \$682,000 in NSHP funds.⁹³ With government budget cutbacks, local organizations have been asked to deliver more social services for low- and moderate-income individuals and families.

⁸⁷ Board of Governors of the Federal Reserve System, *The January 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices, January 2012*, Page 1; available at: <http://www.federalreserve.gov/boarddocs/snloansurvey/201201/default.htm>, (accessed February 10, 2013).

⁸⁸ Beacon Economics, LLC and University of California at Riverside, School of Business Administration, *2012 Riverside/San Bernardino Economic Forecast*, Volume 6 Number 2 December 2012, Page 73; available from https://beaconecon.com/Misc/2012_RSB_Book_Online.pdf, (accessed February 4, 2013).

⁸⁹ Federal Reserve Bank of San Francisco, 2011 - "Vantage Point: The 12th District Community Indicators Project," survey conducted September 2010; available at: <http://www.frbsf.org/publications/community/vantage-point>, (accessed June 12, 2013).

⁹⁰ County of Riverside Economic Development Agency, *Annual Performance and Evaluation Report (CAPER), July 1, 2011- June 30, 2012*; Page 12-13; available at: <http://www.rivcoeda.org/LinkClick.aspx?fileticket=kCqs6slZX7g%3D&tabid=1369>, (accessed February 12, 2013).

⁹¹ *Ibid*, Page 12.

⁹² *Ibid*, Page 12.

⁹³ *Ibid*, Page 13.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RIVERSIDE

Lending Test

The lending test performance in the Riverside is reasonable. Overall, loans were reasonably distributed throughout the assessment area geographies and to businesses of different revenue sizes. Performance was particularly notable for lending within moderate-income census tracts and the levels of lending to small businesses and loans in small dollar amounts.

Lending Distribution by Geography

The geographic distribution of small business loans reflects reasonable penetration among geographies of different income levels. Generally, small business loans were made in close proximity to the areas surrounding the bank's branch and there were no conspicuous gaps in lending patterns. As shown in Exhibit 16, small business loans were extended within census tracts of all income levels, with the exception of low-income census tracts. There is noteworthy performance in 2011, in moderate-income census tracts where the bank's lending exceeded both the percentage of businesses and aggregate lending. The bank's 2012 lending in moderate-income census tracts is also noteworthy. Conversely, the lack of lending in low-income census tracts was considered reasonable given the limited lending opportunities and the considerable distance of the branch from the low-income census tracts in the Riverside assessment area.

EXHIBIT 16 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS ⁹⁴								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
2011								
Bank Lending	0	0.0	5	29.4	3	17.6	9	52.9
Aggregate Lending	559	1.8	6,799	22.4	11,532	37.9	11,525	37.9
Business Concentration	2,700	2.8	24,048	24.7	37,728	38.8	32,727	33.7
2012								
Bank Lending	0	0.0	7	43.8	2	12.5	7	43.8
Aggregate Lending	-	-	-	-	-	-	-	-
Business Concentration	-	-	-	-	-	-	-	-

Lending Distribution by Business Revenue

The distribution of loans among business of different sizes is adequate. As shown in Exhibit 17, 37 percent of small business loans made in the assessment area, were to loans to businesses with gross annual revenues of \$1 million or less. While significantly below the concentration of businesses and aggregate lenders in the assessment in area in 2011, approximately 37 percent of the bank's total lending (2011 and 2012) to small businesses demonstrates an adequate level of lending, primarily

⁹⁴ 2012 Aggregate Data and Dun & Bradstreet Data not yet available.

because loans were targeted to small dollar amount loans and approximately 33 percent of small business loans were in smaller dollar amounts (i.e., less \$250,000), which was responsive to an identified credit need in the community.

EXHIBIT 17 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 (%)
2011	17	29.4	91.4	49.2	47.1	35.3	17.6
2012	16	43.8	-	-	18.8	50.0	31.3

Community Development Test

ASB demonstrated a poor level of community development activities in the Riverside assessment area. As shown in Exhibit 18, no community development loans were originated and community development investments consisted only of four donations totaling \$4,000 to an organization that provides social services, such pre-natal and health services, targeted to low- and moderate-income individuals. Lastly, community development services were very low and the bank only provided 34 hours of service, providing financial expertise to three different organizations that provide essential services, such as pre-natal, health, and small business services to low- and moderate-income individuals and small businesses.

EXHIBIT 18 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
	#	\$ ('000s)	Prior Period		Current Period		#	Hours
			#	\$ ('000s)	#	\$ ('000s)		
Riverside	-	-	-	-	4	4	6	34

LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

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

ASB's performance in the San Bernardino assessment area received a limited-scope review. Due to the assessment area's limited branch presence, lending volume and deposit share, the bank's performance in this assessment area received less weight than those receiving a full-scope review. Consequently, performance in this area, which is detailed in Exhibit 16, did not materially affect the bank's overall rating under the lending and community development tests. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report as well as in Appendix B.

EXHIBIT 19 LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS		
ASSESSMENT AREA	LENDING TEST	COMMUNITY DEVELOPMENT TEST
San Bernardino	Consistent	Consistent

Lending test performance in the San Bernardino assessment area was generally consistent with performance in the full-scope assessment areas. Although comparatively few loans were extended, they were extended within all available income geographies. Most were in moderate-income geographies and the distribution was generally consistent with aggregate lending levels and the concentration of businesses. In addition, an adequate number of loans were made to small businesses in amounts of \$250,000 or less, which helped meet an identified credit need within the assessment area.

Community development performance in San Bernardino assessment area was generally consistent with the full-scope assessment areas. The bank extended five community development loans totaling \$3.8 million. Of these five loans, three loans were extended under SBA 504 loan program, fostering economic development and supporting job creation and retention. Two loans were extended to organizations providing social services targeted to low- and moderate-income individuals. In addition, the bank made six donations totaling \$6,000 to organizations providing social services targeted to low- and moderate-income individuals. Finally, bank management provided over 65 hours of community development services to organizations providing social services targeted to low- and moderate-income individuals.

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

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

- 2000 and 2010 U.S. Census data
- 2011 Dun & Bradstreet data
- Beacon Economics, LLC and University of California at Riverside, School of Business Administration, *2012 Riverside/San Bernardino Economic Forecast*, Volume 6 Number 2 December 2012; available at: https://beaconecon.com/Misc/2012_RSB_Book_Online.pdf, (accessed February 4, 2013).
- Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).
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- California Employment Development Division, *Monthly Labor Force Data for Counties, December 2012*; available at: <http://www.calmis.ca.gov/file/lfmonth/1212pcou.pdf>, (accessed February 26, 2013).
- California Employment Development Division, *Monthly Labor Force Data for Counties, December 2012*; available at: <http://www.calmis.ca.gov/file/lfmonth/1212pcou.pdf>, (accessed February 26, 2013).
- DataQuick, *Southland Home Sales, Median Price Rise Above Year Ago, November 13, 2012*; available at: <http://www.dqnews.com/Articles/2012/News/California/Southern-CA/RRSCA121113.aspx>, (accessed February 10, 2013).
- Moody's, *Precis®METRO*, Riverside, August 2012.
- Moody's, *Precis®METRO*: Riverside, December 2011.
- San Bernardino County 2012 Community Indicator Report, available at http://www.sbcounty.gov/uploads/cao/feature/content/2012_cir_sb.pdf; (accessed February 26, 2013).
- U.S. Census Bureau Quick Facts 2011, San Bernardino, CA: available at: <http://quickfacts.census.gov/qfd/states/06/0662000.html>; (accessed February 26, 2013)
- U.S. Census Bureau Quick Facts 2011, San Bernardino, CA: available at: <http://quickfacts.census.gov/qfd/states/06/0665000.html>; (accessed February 26, 2013)

San Bernardino Assessment Area

The San Bernardino assessment area consists of San Bernardino County in its entirety and is part of the Riverside-San Bernardino-Ontario MSA. San Bernardino County is the largest county in the continental United States by area, covering over 20,000 square miles. The county is located in southeastern California and is situated on the eastern borders of Kern, Los Angeles, Orange Counties, the southern border of Inyo County, the western borders of the State of Nevada and Arizona, and the northern border of Riverside County. Over 80 percent of the land is owned and managed by federal agencies and is outside the governing control of the County Board of Supervisors or local jurisdictions.¹ The County is often linked with Riverside County and both are referred to as the "Inland Empire." The 2011 estimated population of the County is 2.1 million², with the city of San Bernardino being the most population with an estimated 213,012.³

With only two branches and an electronic banking office, ASB has a limited presence in a highly competitive market for deposit and loan products. As of June 30, 2012, the bank's one office held \$60.2 million in deposits, representing less than one percent of the share of deposits in this market, where 41 FDIC-insured financial institutions operated 259 offices with deposits exceeding \$16.3 billion. To illustrate the competitiveness of the small business lending market, in 2012, there were 88 lenders reporting small business loans pursuant to the reporting requirements of CRA; most of these were large regional and national institutions.⁴ These lenders represent only a portion of the commercial lending market, extended 24,564 small business loans totaling \$740.3 million⁵.

The San Bernardino assessment area has a fairly diverse economy. Key employment sectors include retail trade, transportation, utilities, professional and business services, education, and health services.⁶ Major employers include, but are not limited to, Loma Linda University, Stater Brothers Markets, United Parcel Service, and U.S. Marine Corps Air Ground Combat Center.⁷ Although these large employers exert a significant influence on the overall economy, small businesses (i.e., with gross annual revenues of \$1 million or less) remain a substantial majority of all businesses in the assessment area.

Exhibits 20 and 21, on page B - 4 and B - 5, respectively, present key demographic and business information used to help develop a performance context for the assessment area. They are , based on both the 2000 and 2010 U.S. Census and 2011 Dun and Bradstreet data. Dun & Bradstreet data is not yet available for 2012. Exhibit 20 represents the data against which the bank's 2011 lending was evaluated, while Exhibit 21 was used for the assessment of the bank's 2012 lending. The Riverside assessment area experienced an increase in population and in the number of census tracts since the

¹ San Bernardino County 2012 Community Indicator Report, available at http://www.sbcounty.gov/uploads/cao/feature/content/2012_cir_sb.pdf; (accessed February 26, 2013).

² U.S. Census Bureau Quick Facts 2011, San Bernardino, CA: available at: <http://quickfacts.census.gov/qfd/states/06/06071.html>; (accessed February 26, 2013)

³ U.S. Census Bureau Quick Facts 2011, San Bernardino, CA: available at: <http://quickfacts.census.gov/qfd/states/06/0665000.html>; (accessed February 26, 2013)

⁴ Federal Deposit Insurance Corporation, Institution Directory, *Summary of Deposits*, June 30, 2012; available at: <http://www2fdic.gov/sod.>, (accessed February 4, 2013).

⁵ Information based on aggregate data consisting of institutions required to file annual CRA data.

⁶ Moody's, *Precis[®]METRO*, Riverside, August 2012.

⁷ Ibid.

2000 census. Total census tracts increased from 244 to 369, representing a 51 percent increase. All census tracts increased with low-income census tracts increasing 93 percent, from 14 to 27, moderate-income census tracts increasing 49 percent from 74 to 110, middle-income census tracts increasing 36 percent from 100 to 136, and upper-income census tracts increasing 76 percent from 53 to 93.

Exhibits 23 and 24, on page B - 6, present the bank's lending distributions for the assessment area.

EXHIBIT 20 ASSESSMENT AREA DEMOGRAPHICS SAN BERNARDINO ASSESSMENT AREA 2000 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	14	5.7	13,697	3.4	5,582	40.8	91,627	22.5
Moderate-income	74	30.3	114,270	28.1	23,237	20.3	71,045	17.4
Middle-income	100	41.0	173,527	42.6	18,281	10.5	82,412	20.2
Upper-income	53	21.7	105,711	26.0	4,086	3.9	162,121	39.8
Tract not reported	3	1.2	0	0.0	0	0.0	0	0.0
Total AA	244	100.0	407,205	100.0	51,186	12.6	407,205	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	22,995	6,125	1.8	26.6	12,556	54.6	4,314	18.8
Moderate-income	177,454	77,589	22.8	43.7	76,825	43.3	23,040	13.0
Middle-income	261,299	153,750	45.1	58.8	72,820	27.9	34,729	13.3
Upper-income	139,621	103,550	30.4	74.2	25,379	18.2	10,692	7.7
Total AA	601,369	341,014	100.0	56.7	187,580	31.2	72,775	12.1
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	2,577	2.9	2,295	2.9	158	3.2	124	3.9
Moderate-income	23,266	26.5	20,975	26.3	1,374	27.9	917	28.9
Middle-income	37,685	42.9	34,009	42.6	2,323	47.2	1,353	42.6
Upper-income	24,243	27.6	22,436	28.1	1,031	21.0	776	24.4
Tract not reported	103	0.1	66	0.1	33	0.7	4	0.1
Total AA	87,874	100.0	79,781	100.0	4,919	100.0	3,174	100.0
Percentage of Total Businesses			90.8		5.6		3.6	
2004 Median Family Income			\$47,448		December 2011 Median Housing Value ⁸			\$150,000
2011 HUD Adjusted Median Family Income			\$62,500		December 2011 Unemployment Rate ⁹			12%

⁸ California Association of Realtors®, *Trends in California Real Estate*, Volume 33, Number 1, January 2012.

⁹ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

EXHIBIT 21 ASSESSMENT AREA DEMOGRAPHICS SAN BERNARDINO ASSESSMENT AREA 2010 U.S. CENSUS DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	27	7.3	28,008	6.1	9,667	34.5	103,154	22.6
Moderate-income	110	29.8	120,474	26.4	22,287	18.5	81,373	17.8
Middle-income	136	36.9	172,559	37.8	17,103	9.9	91,893	20.1
Upper-income	93	25.2	135,386	29.7	4,313	3.2	180,007	39.4
Tract not reported	3	0.8	0	0.0	0	0.0	0	0.0
Total AA	369	100.0	456,427	100.0	53,370	11.7	456,427	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	46,016	13,502	3.5	29.3	25,429	55.3	7,085	15.4
Moderate-income	191,822	83,967	21.6	43.8	77,704	40.5	30,151	15.7
Middle-income	274,102	152,418	39.3	55.6	74,520	27.2	47,164	17.2
Upper-income	179,381	138,280	35.6	77.1	30,305	16.9	10,796	6.0
Total AA	691,321	388,167	100.0	56.1	207,958	30.1	95,196	13.8
2010 Median Family Income			\$63,176	December 2012 Median Housing Value ¹⁰			\$158,540	
2012 HUD Adjusted Median Family Income			\$63,300	December 2012 Unemployment Rate ¹¹			10.8%	

¹⁰ California Association of Realtors®, California home sales and prices close on high note in December; housing market posts strong performance in 2012, available at: <http://www.car.org/newsstand/newsreleases/2013releases/decembersales>, (accessed May 1, 2013).

¹¹ Bureau of Labor Statistics, available at: <http://www.bls.gov/lau/laucntycur14.txt>, (accessed March 5, 2013).

EXHIBIT 22 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS ¹²								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
2011								
Bank Lending	0	0.0	13	50.0	11	42.3	2	7.7
Aggregate Lending	480	2.0	5,048	20.6	10,376	42.3	8,653	35.2
Business Concentration	2,577	2.9	23,266	26.5	37,685	42.9	24,243	27.6
2012								
Bank Lending	2	11.1	3	16.7	12	66.7	1	5.6
Aggregate Lending	-	-	-	-	-	-	-	-
Business Concentration	-	-	-	-	-	-	-	-

EXHIBIT 23 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS ¹³							
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 (%)
2011	26	38.7	90.8	45.9	42.3	34.6	23.1
2012	18	61.1	-	-	38.9	27.8	33.3

¹² 2012 Aggregate Data and Dun & Bradstreet Data not yet available.

¹³ 2012 Aggregate Data not yet available.