



## **PUBLIC DISCLOSURE**

January 21, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Whittier, National Association  
Charter Number 17548

15141 East Whittier Boulevard  
Whittier, CA 90603

Office of the Comptroller of the Currency

1551 North Tustin Avenue  
Suite 1050  
Santa Ana, CA 92705

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

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

**State Name: California Rating: Satisfactory**

**State Name: Texas Rating: Satisfactory**

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size and performance context;
- A majority of the bank's lending activity is within its delineated assessment areas;
- The overall distribution of loans reflects reasonable penetration among borrowers of different incomes; and
- The overall geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

## **Scope of Examination**

This Performance Evaluation (PE) assesses Bank of Whittier N.A.'s Community Reinvestment Act (CRA) performance using the lending test criteria for small bank examinations. We performed a full-scope examination of the bank's Los Angeles and Orange County, California and Dallas and Fort Worth, Texas assessment areas (AA). These are the bank's primary AAs based on the volume of deposits gathered and loans originated in those AAs. We performed a limited scope review on the Riverside/San Bernardino AA due to the low volume of reported loans. We evaluated home mortgage loans and business loans, including commercial real estate loans and commercial/industrial loans, the bank originated or purchased between January 1, 2013 and December 31, 2014, as this was most representative of the bank's lending strategy since the last CRA evaluation. We focused our review on home mortgage loans because they represent the major portion of the bank's lending activity.

The Office of Management and Budget (OMB) revised the Metropolitan Area (MA) and census tract geographic definitions and boundaries in February 2013, which affected the Texas AAs. Therefore, lending activity in 2013 is evaluated against 2004 MA boundaries, and lending activity in 2014 is evaluated against 2014 MA boundaries.

Prior to this evaluation, we reviewed a sample of loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Register for 2013-2014 and determined that the data was accurate and appropriate for use in this evaluation.

## Description of Institution

Bank of Whittier, National Association (BOW or bank), a minority-owned institution, opened in December 1982. It is an independent interstate community bank headquartered in Whittier, California. In addition to operating in California, the bank operates a branch in Richardson, Texas. The bank expanded operations to Texas in June 2011 to increase business opportunities in a market familiar to management. BOW also markets its products through the Internet. The bank had loan production offices in Pasadena and Garden Grove, California; however, these two offices were closed in 2013 because they did not yield sufficient business. BOW is a wholly owned subsidiary of Greater Pacific Bancshares, a privately owned, one-bank holding company.

The bank offers traditional deposit and loan products for both consumer and commercial customers such as checking and savings account, mortgage loans, commercial real estate loans, commercial/industrial loans, and consumer loans. A significant majority of the bank's loan originations are residential mortgages. BOW also grants customers online access to account information via the bank's website. Both the Whittier and Richardson branches provide customers with access to an automated teller machine. BOW operates using the riba-free (RF) discipline as an alternative banking service to the faith-based communities. The bank focuses on serving first-generation immigrant professionals who are underserved by other financial institutions.

As of December 31, 2014, BOW reported total assets of \$55 million, total loans of \$23 million, total deposits of \$45 million, and total equity capital of \$9 million. Total loans represented approximately 42 percent of total assets. The following chart summarizes the loan portfolio by major product types.

<b>Bank of Whittier, N.A. Outstanding Balances by Major Product Type as of December 31, 2014</b>		
<b>Loan Type</b>	<b>(\$000's)</b>	<b>Percent</b>
Commercial RE	12,975	56.9%
1-4 Family Residential RE	6,317	27.6%
Commercial-Industrial	2,091	9.1%
Construction	1,010	4.4%
Consumer	329	1.4%
Other RE	138	0.6%
<b>Total</b>	<b>22,860</b>	<b>100.0%</b>

Source: December 31, 2014 Report of Condition and Income

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the communities it serves. BOW received a "Needs to Improve" rating under the "Small Bank" rating criteria at the last CRA examination, dated October 24, 2011.

## Ratings

The bank's overall rating is a blend of state ratings. We placed more weight on the Texas state rating because a majority of the bank's lending is in that state. Refer to the "Scope" section under each state rating for details regarding how the areas were weighted in arriving at the overall state rating.

## Conclusions with Respect to Performance Criteria

BOW's performance under the Lending Test is considered "Satisfactory." The bank's loan-to-deposit ratio is reasonable, and a majority of loans was originated inside its AAs. The bank has reasonable penetration among borrowers of different incomes and reasonable geographic dispersion throughout the AAs given the bank's small size and performance context, which includes limited locations from which the bank operates and significant competition from much larger institutions. Each of the areas considered in the lending test is described below.

### Loan-to-Deposit Ratio

BOW's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and local economic conditions, and it meets the standard for satisfactory performance. We evaluated the bank's quarterly average LTD ratio for the 13 quarters since the prior CRA examination through September 30, 2014. During this period, the bank's LTD ratio averaged 55 percent. This ratio ranged from a quarterly low of 49 percent to a quarterly high of 61 percent during the period. The bank's LTD ratio compares reasonably with eight other banks of similar asset size in the AAs. The average LTD ratio for its peer banks was 55 percent over the same period, and the ratios for the individual banks in the peer comparison group ranged from a quarterly low of 23 percent to a quarterly high of 85 percent.

### Lending in Assessment Area

BOW granted a majority of the number and dollar volume of loans inside its delineated AAs and meets the standard for satisfactory performance. The bank granted 51 percent of the number of loans and approximately 52 percent of the dollar volume within its delineated AAs during our evaluation period. See Table 1 for details.

<b>Table 1 - Lending in Defined Combined Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	190	50.3	188	49.7	378	40,405	49.3	41,612	50.7	82,017
Commercial Loans	12	80.0	3	20.0	15	4,791	93.7	320	6.3	5,111
<b>Total</b>	<b>202</b>	<b>51.4</b>	<b>191</b>	<b>48.6</b>	<b>393</b>	<b>45,196</b>	<b>51.9</b>	<b>41,932</b>	<b>48.1</b>	<b>87,128</b>

*Source: Data reported under HMDA from January 2013 through December 2014. Commercial loans originated from January 2013 through December 2014.*

This performance reflects a substantial improvement from the October 2011 examination when only 8 percent of the number of loans and 11 percent of the dollar volume were originated within the delineated AAs.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## State Rating

### State of California

#### CRA Rating for California: Satisfactory

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes; and
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

### Description of Institution's Operations in California

#### Los Angeles AA

BOW has designated a majority of Los Angeles County as its AA. It consists of the Los Angeles County line to the west, State Highway 118 and the Angeles National Forest to the north, Interstate 15 and the Riverside County line to the east, and the Orange County line to the southeast. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. It includes 2,161 census tracts of the 2,346 census tracts in the Los Angeles-Long Beach-Glendale Metropolitan Division (MD). Nine percent of the census tracts are low-income, 29 percent are moderate-income, 27 percent are middle-income, 32 percent are upper-income, and 2 percent of the census tracts has not been assigned an income classification. BOW helps meet community credit needs in the Los Angeles AA through its office in Whittier.

Los Angeles County is located in southern California and covers over 4,000 square miles. It has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is lesser populated in inland areas; however, the southern half of the county is heavily urbanized. Based on the 2010 U.S. Census, the updated population in the Los Angeles County AA is 9.8 million.

The banking environment in the AA is highly competitive. The June 30, 2014 FDIC Deposit Market Share Report indicates that 111 institutions with 1,811 offices compete for deposits in Los Angeles County. The major competing institutions include Bank of America, N.A., Wells Fargo Bank, Union Bank, JPMorgan Chase Bank, City National Bank, and Citibank, N.A. These banks collectively hold 67 percent of the deposit market share. BOW ranks 98<sup>th</sup> and holds a market share of 0.01 percent. The banks that compete for deposits in the AA also compete for loans. In addition, there are

numerous other institutions in the AA that do not collect deposits but do compete for loans in the AA, making it even more difficult for banks to compete for loans than deposits.

Los Angeles County has a diverse economic base. Historically, the leading industry clusters were tourism and hospitality, professional and business services, entertainment (motion picture and TV production), wholesale distribution, and health services and biomedical. More recently, the Los Angeles County economy has been largely technology driven, specifically the bio-medical, digital information technology, and environmental technology sectors, all of which build on the vibrant technical research capabilities in the county. The county also is the largest manufacturing center in the United States, and the seaports and airports support international trade. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The top employers are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation; University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America Corporation; The Boeing Company; Providence Health Systems, The Home Depot, USA Inc.; Vons; Wells Fargo; Edison International; and AT&T.

The economy in the AA showed strong signs of improvement during the review period. In April 2013, the unemployment rate dropped below 10 percent for the first time in four years. According to the Employment Development Department (EDD), the current unemployment rate for Los Angeles County is 7.5 percent as of December 2014. This is above the 6.7 percent unemployment rate for the State of California and the 5.6 percent national unemployment rate but still a vast improvement since the recent severe recession.

We participated on a conference call with several development organizations that provide credit resources to small businesses in underserved communities in Los Angeles County. The representatives stated that high unemployment is still a major issue. Small business financing and technical assistance are a concern and still needed. Entrepreneurship is more visible in this county than in other areas of the state. Affordable housing is a challenge, and foreclosure issues remain. Examiners also contacted a national organization that provides capital and solutions to develop affordable housing for LMI persons and communities across the country, an ongoing need in the AA.

### Orange County AA

Orange County (OC) is primarily an urban area, with 34 incorporated cities and several unincorporated areas, which form the Anaheim-Santa Ana-Irvine MD. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

OC is the third largest county in California by population and covers 789 square miles of land. The estimated population is 3 million based on the 2010 U.S. Census. OC has extensive transportation facilities including airports, railroads, and freeways. The freeway system connects the county's labor force to employment centers in Los Angeles as well as providing extensive access within county borders. The county has 42 miles of southern California coastline with nine public beaches. The neighboring counties include Los Angeles County to the north, San Diego County to the south, and Riverside and San Bernardino Counties to the east.

OC consists of 583 census tracts: 6 percent are low-income, 26 percent are moderate-income, 33 percent are middle-income, and 34 percent are upper-income tracts, and one percent has not been assigned an income classification. The LMI tracts are located mainly in the central and northwestern parts of the county. The 2010 Census median housing value was \$598,487. According to DQNews, the median home price in December 2014 was \$585,000. Approximately 57 percent of all housing units are owner-occupied. The Federal Financial Institutions Examination Council (FFIEC) reported the median family income was \$84,900 for 2014. Approximately 9 percent of the households are living below the poverty level.

The county's economic output and employment is well distributed among the various sectors. OC is known for tourism, with attractions such as Disneyland, Knott's Berry Farm, and several beaches. OC also is the headquarters for several Fortune 500 companies, including Ingram Micro, Inc., First American Financial Corporation, Broadcom Corporation, Western Digital Corporation, and Pacific Life Insurance Company. Major employers include the Walt Disney Company, University of California – Irvine, St. Joseph Health System, Boeing Company, Kaiser Permanente, and Bank of America Corporation.

Technology, tourism, and the renewed housing-related industries are the primary drivers of improvements in the county's economy. Private job gains are broadening across industries, and local and state government payrolls are stabilizing. OC's labor force is expanding. According to the Bureau of Labor Statistics, the OC unemployment rate was 4.4 percent in December 2014. OC's unemployment rate is one of the lowest among California regional economies and well below the state unemployment rate of 6.7 percent.

While BOW does not have an office in the AA, there is strong competition for market share among local financial institutions, including several community banks and branches of larger nationwide banks. The most recent FDIC Deposit Market Share Report dated June 30, 2014, shows 85 institutions operating 696 offices in the OC AA. The major competing institutions include Wells Fargo Bank, Bank of America, JPMorgan Chase Bank, Union Bank, Citibank, N.A., and U.S. Bank. These banks collectively hold 66 percent of the deposit market share.

An OCC Community Affairs Officer participated on a conference call with several development organizations that provide credit resources to small businesses in

underserved communities in Los Angeles and OC. The representatives stated that unemployment, while improving, continues to be a major issue. Small business financing and technical assistance are still needed. Affordable housing is a challenge, and foreclosure issues remain. Examiners also contacted an affiliate of a national affordable housing intermediary that focuses on affordable and safe housing solutions for LMI individuals and families, an ongoing need in the AA.

### Riverside/San Bernardino AA

BOW has designated a portion of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) as its AA. Additional information about this AA can be found in the bank's public file.

## **Scope of Evaluation in California**

The California state rating is based on the results of the full-scope review of the bank's Los Angeles and Orange County AAs and a limited scope review of the Riverside/San Bernardino AA.

## **Conclusions with Respect to Performance Criteria**

BOW's performance under the lending test in the California AAs is rated "Satisfactory." BOW's borrower distribution reflects reasonable penetration among borrowers of different incomes, and BOW's geographic distribution reflects reasonable dispersion throughout census tracts of different income levels.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Overall, the borrower distribution of home mortgage and business loans reflects reasonable penetration when considering the bank's size and performance context and meets the standard for satisfactory performance.

#### *Performance in the Los Angeles AA*

The overall distribution of loans in the Los Angeles AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's size and competitive factors.

### **Residential Loans**

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels before consideration of mitigating factors. BOW originated only two home purchase loans and 12 home refinance loans in this AA, which was not enough to perform a meaningful analysis. This level of residential mortgage lending to

borrowers of different income levels is reasonable considering the demographic context in which the institution operates.

BOW's ability to extend residential mortgage loans to LMI borrowers is hindered by AA demographics. The average median housing value in this AA was \$538,255. According to the 2014 U.S. Department of Housing and Urban Development (HUD) updated median family income, low-income individuals earn less than \$30,300, and moderate-income individuals earn less than \$48,480. Additionally, 14 percent of households in the AA are below the poverty level. The lack of affordability limits the opportunities for home mortgage lending to low- and moderate-income individuals. In addition, BOW faces strong competition. The 2013 peer mortgage data indicates there are more than 700 HMDA reporters in the Los Angeles market. The largest competitors in the county include Wells Fargo Bank, JP Morgan Chase, Bank of America, and Citibank, who together dominated the market with over 35 percent market share. BOW's market share was less than 0.01 percent. There are 111 FDIC insured financial institutions in the AA with over 1,800 offices. BOW ranks number 98 by deposits with only 0.01 percent market share.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	24.62	0.0	16.62	0.0	17.60	0.0	41.16	100
Home Refinance	24.62	0.0	16.62	0.0	17.60	8.33	41.16	91.67

*Source: 2010 U.S. Census data; 2013-2014 HMDA totaling 2 purchase loans and 12 refinance loans.*

### **Business Loans**

The bank was only able to make three loans to businesses of any size in the Los Angeles AA during the review period. This small volume of loans makes it difficult to perform a meaningful analysis. However, the borrower distribution of loans to businesses reflects excellent penetration of loans to businesses with revenues of \$1 million or less.

Competition for strong borrowers in the AA, as well as limited branch staff, hindered lending efforts in this AA. The 2013 peer small business data indicates there are more than 160 lenders in the Los Angeles market. The largest competitors in the county include American Express, Wells Fargo Bank, Bank of America, and Citigroup, who together dominated the market with over 78 percent market share.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	72.78	5.11	22.11	100
% of Bank Loans in AA by #	100	0.0	0.0	100
% of Bank Loans in AA by \$	100	0.0	0.0	100

Source: Business Geodemographic Data, Census data, all 3 loans originated

**Performance in the Orange County AA**

The overall distribution of loans in the Orange County AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank’s size, limited presence, and competitive factors.

**Residential Loans**

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels before consideration of mitigating factors. BOW originated only nine home purchase loans and one home refinance loan in this AA, which was not enough to perform a meaningful analysis. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the institution operates.

BOW’s ability to extend residential mortgage loans to LMI borrowers is hindered by AA demographics and the lack of an office in this AA. The median housing value in this AA was \$598,487. According to the 2014 HUD updated median family income, low-income individuals earn less than \$42,450, and moderate-income individuals earn less than \$67,920. Additionally, 9 percent of households in the AA are below the poverty level. The lack of affordability limits the opportunities for home mortgage lending to LMI individuals. In addition, BOW faces strong competition. The 2013 peer mortgage data indicates there are more than 600 HMDA reporters in the Orange County market. The largest competitors in the county include Wells Fargo Bank, JP Morgan Chase, Bank of America, and Citibank, who together dominated the market with over 37 percent market share. BOW’s market share was 0.01 percent.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Orange County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	22.02	0.0	17.33	0.0	19.49	11.11	41.16	88.89
Home Refinance	22.02	0.0	17.33	0.0	19.49	0.0	41.16	100

Source: 2010 U.S. Census data; 2013- 2014 HMDA totaling 9 purchase loans and 1 refinance loan.

**Business Loans**

The bank was only able to make two loans to businesses of any size in the Orange County AA during the review period. This small volume of loans makes it difficult to perform a meaningful analysis. However, the borrower distribution of loans to businesses reflects excellent penetration of loans to businesses with revenues of \$1 million or less. Competition for strong borrowers and limited presence in the AA made it difficult to generate loans. The 2013 peer small business data indicates there are more than 125 lenders in the Orange County market. The largest competitors in the county

include American Express, Wells Fargo Bank, Bank of America, JP Morgan Chase, and Citigroup, who together dominated the market with over 78 percent market share.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Orange County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	73.00	5.63	21.37	100
% of Bank Loans in AA by #	100	0.0	0.0	100
% of Bank Loans in AA by \$	100	0.0	0.0	100

*Source: Business Geodemographic Data, all 2 loans originated*

### *Performance in the Limited Scope AA*

The loan volume in the Riverside/San Bernardino AA was too small to perform a meaningful analysis. BOW originated only three residential real estate loans and two business loans during the review period. However, the borrower distribution of loans to businesses reflects excellent penetration of loans to businesses with revenues of \$1 million or less and reflects a willingness to lend to small businesses. As noted above, competition for strong borrowers and limited presence in the AA made it difficult to generate loans.

### **Geographic Distribution of Loans**

Overall, the geographic distribution of home mortgage and business loans reflects reasonable dispersion when considering the bank's size and performance context and meets the standard for satisfactory performance.

### *Performance in the Los Angeles AA*

The overall geographic distribution of loans in the Los Angeles AA reflects a reasonable dispersion throughout census tracts of different income levels given the bank's size and competitive factors.

### **Residential Loans**

The geographic distribution of home mortgage loans in the Los Angeles AA reflects poor dispersion of loans in LMI geographies before consideration of mitigating factors. As noted above, BOW originated only two home purchase loans and 12 home refinance loans in this AA, which was not enough to perform a meaningful analysis. This level of residential mortgage lending to geographies of different income levels is reasonable considering the performance context in which the institution operates as discussed above. In addition, owner-occupied housing in low-income census tracts comprises only 2.3 percent of the total AA and BOW's branch is located in an upper-income census tract.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Los Angeles</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.30	0.0	16.82	0.0	28.93	0.0	51.94	100
Home Refinance	2.30	0.0	16.82	0.0	28.93	41.67	51.94	58.33

Source: 2010 U.S. Census data; 2013 - 2014 HMDA totaling 2 purchase loans and 12 refinance loans. (Note: .01 percent of census tracts are not income-designated tracts.)

### Business Loans

The geographic distribution of small loans to businesses in the Los Angeles AA reflects poor dispersion of these loans in LMI census tracts before consideration of mitigating factors. As noted above, the bank only originated three loans in this AA during the review period and is hindered by competition.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Los Angeles</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	6.57	0.0	18.26	0.0	25.58	33.3	48.22	66.7

Source: Business Geodemographic Data, all 3 loans originated. (Note: 1.36 percent of census tracts are not income-designated tracts.)

### Performance in the Orange County AA

The overall distribution of loans in the Orange County AA reflects a reasonable dispersion throughout census tracts of different income levels given the bank's size, limited presence, and competitive factors.

### Residential Loans

The geographic distribution of home mortgage loans in the Orange County AA reflects overall reasonable dispersion of loans in LMI geographies. As noted above, BOW originated only nine home purchase loans and one home refinance loan in this AA, which was not enough to perform a meaningful analysis. However, the percentage of home purchase loans made in moderate-income geographies is near the comparable demographic data and the percentage of home refinance loans in moderate-income geographies exceeds the comparable demographic data. This performance indicates that BOW made some effort to lend in moderate-income geographies. Owner-occupied housing in low-income census tracts comprises only

2.99 percent of the total AA. As mentioned above, competition for strong borrowers and limited presence in the AA made it difficult to generate loans.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Orange County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.99	0.0	19.61	11.11	33.21	22.22	44.19	44.44
Refinancing	2.99	0.0	19.61	100	33.21	0.0	44.19	0.0

Source: 2010 U.S. Census data; 2013 - 2014 HMDA totaling nine purchase loans and one refinance loan. (Note: 22.22 percent of home purchase loans were made in census tracts with no income-designation.)

### Business Loans

The geographic distribution of small loans to businesses in the Orange County AA reflects poor dispersion of these loans in LMI census tracts before consideration of mitigating factors. As noted above, the bank only originated two loans in this AA during the review period and is hindered by competition.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Orange County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	4.72	0.0	25.21	0.0	32.57	50.0	36.46	50.0

Source: Business Geodemographic Data, all 2 loans originated. (Note: 1.04 percent of census tracts are not income-designated tracts.)

### Performance in the Limited Scope AA

The loan volume in the Riverside/San Bernardino AA was too small to perform a meaningful analysis. BOW originated only three residential real estate loans and two business loans during the review period. As noted above, competition for strong borrowers and limited presence in the AA made it difficult to generate loans.

### Responses to Complaints

BOW did not receive any complaints about its performance in helping to meet the credit needs in the AAs in California during this evaluation period.

## State Rating

### State of Texas

#### CRA Rating for Texas: **Satisfactory**

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes; and,
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

### Description of Institution's Operations in Texas

#### Dallas AA

The Dallas-Plano-Irving MD is a large geographic area that includes eight counties (Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, and Rockwall) within Texas. It is part of the Dallas-Fort Worth-Arlington, TX MSA. The assessment area meets regulatory requirements and does not arbitrarily exclude LMI areas

The Dallas-Plano-Irving MD went from the nation's ninth most populated metropolitan area in 2000 to the fourth most populated area in 2010. The Dallas-Plano-Irving, TX MD is located in northeast Texas, and the largest cities in this region include Dallas, Plano, Irving, and Denton. This AA has a broad industrial base in energy, manufacturing, aeronautics, and transportation, with a burgeoning tourism sector. The MSA population at the 2010 Census was 2,136,022, an increase of 25 percent over 2000. The 2012 MSA population estimate was 2,232,865 as of July 2012 per the Census Bureau.

Leading industries include government, health and education services, professional and business services, retail trade, and leisure and hospitality services. Major employers include American Airlines, Texas Health Resources, Lockheed Martin Aeronautics Co., Bell Helicopter Textron Inc., Albertson's Distribution Center, Wells Fargo, and the University of Texas at Arlington.

The banking environment in the AA is highly competitive. The June 30, 2014 FDIC Deposit Market Share Report indicates that 139 institutions with 1,161 offices compete for deposits in the Dallas AA. The major competing institutions include Bank of America, N.A., JP Morgan Chase, Wells Fargo Bank, and Texas Capital Bank. These banks collectively hold over 67 percent of the deposit market share. BOW ranks 131st and holds a market share of 0.00 percent.

## Fort Worth AA

The Fort Worth-Arlington MD consists of four contiguous counties (Johnson, Parker, Tarrant and Wise) in north central Texas. It is part of the Dallas-Fort Worth-Arlington, TX MSA. The eastern counties in the Fort Worth-Arlington MD are contiguous with the western counties of the Dallas-Plano-Irving MD. The AA meets regulatory requirements and does not arbitrarily exclude LMI areas

The Fort Worth-Arlington MD is the third most populous metropolitan area in Texas behind Dallas and Houston. The largest cities in this region include Fort Worth, Arlington, Burleson, Weatherford, and Decatur. This AA has a broad industrial base in energy, manufacturing, aeronautics, tourism and transportation. The MSA population at the 2010 Census was 2,136,022, an increase of 25 percent over 2000. The 2012 MSA population estimate was 2,232,865 as of July 2012 per the Census Bureau.

Leading industries include government, health and education services, professional and business services, retail trade, and leisure and hospitality services. Major employers include American Airlines, Texas Health Resources, Lockheed Martin Aeronautics Co., Bell Helicopter Textron Inc., Albertson's Distribution Center, Wells Fargo, and the University of Texas at Arlington.

While BOW does not have an office in the AA, there is strong competition for market share among local financial institutions, including several community banks and branches of larger nationwide banks. The most recent FDIC Deposit Market Share Report dated June 30, 2014, shows 78 institutions operating 568 offices in the Fort Worth AA. The major competing institutions include JP Morgan Chase, Wells Fargo Bank, Frost Bank, Bank of America, and Compass Bank. These banks collectively hold 62 percent of the deposit market share.

## **Scope of Evaluation in Texas**

The Texas state rating is based on the results of the full-scope review of the bank's Dallas and Fort Worth AAs. We placed more weight on the Dallas AA because a majority of the lending was in that area.

## **Conclusions with Respect to Performance Criteria**

BOW's performance under the lending test in the Texas AAs is rated "Satisfactory." BOW's borrower distribution reflects reasonable penetration among borrowers of different incomes, and BOW's geographic distribution reflects reasonable dispersion throughout census tracts of different income levels.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Overall, the borrower distribution of home mortgage and business loans reflects reasonable penetration when considering the bank's size and performance context and meets the standard for satisfactory performance.

### *Performance in the Dallas AA*

The overall distribution of loans in the Dallas AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's size, length of time in the market, and competitive factors.

### **Residential Loans**

The overall distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. BOW's record of lending to borrowers of different incomes meets the standard for satisfactory performance. The bank conducted its highest volume of residential mortgage lending in the Dallas AA with 102 home purchase loans and 47 home refinance loans originated during the evaluation period.

There was a low volume of home purchase loans made to low-income borrowers. However, the percentage of home purchase loans made to moderate-income borrowers overall is near the percentage of moderate-income families in the AA. The level of home refinance loans to low-income borrowers is reasonable while the level of home refinance loans to moderate-income borrowers is poor. This level of residential mortgage lending to borrowers of different income levels is reasonable overall considering the demographic context in which the institution operates.

BOW's ability to extend residential mortgage loans to LMI borrowers is hindered by AA demographics. The average median housing value in this AA was \$173,315. According to the 2014 HUD updated median family income, low-income individuals earn less than \$34,550. Additionally, 12 percent of households in the AA are below the poverty level. Competition and the lack of affordability limits the opportunities for home mortgage lending to LMI individuals. The 2013 peer mortgage data indicates there are more than 800 HMDA reporters in the Dallas AA. The largest competitors include Wells Fargo Bank, JP Morgan Chase, Bank of America, and Citibank, who together dominated the market with over 34 percent market share. BOW's market share was less than 0.06 percent. There are 139 FDIC insured financial institutions in the AA with over 1,100 offices. BOW ranks number 131 by deposits with only 0.0 percent market share.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas 2014								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.06	2.0	16.62	4.0	18.27	28.0	42.05	66.0
Home Refinance	23.06	12.50	16.62	0.0	18.27	25.0	42.05	62.5

Source: 2010 U.S. Census data; 2014 HMDA totaling 50 purchase loans and 16 refinance loans

Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas 2013								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.22	0.0	16.66	11.54	18.29	21.15	41.83	67.31
Home Refinance	23.22	0.0	16.66	3.23	18.29	19.35	41.83	77.42

Source: 2010 U.S. Census data; 2013 HMDA totaling 52 purchase loans and 31 refinance loans.

### Business Loans

The bank was only able to make five loans to businesses of any size in the Dallas AA during the review period. This small volume of loans makes it difficult to perform a meaningful analysis. However, the borrower distribution of loans to businesses reflects overall excellent penetration of loans to businesses with revenues of \$1 million or less. It also reflects the bank’s commitment to making loans to small businesses. Competition for strong borrowers in the AA, along with limited branch staff and limited time in the market hindered lending efforts in this AA. The 2013 peer small business data indicates there are more than 175 lenders in the AA. The largest competitors include American Express, Wells Fargo Bank, Bank of America, JP Morgan Chase, and Citigroup, who together dominated the market with 72 percent market share.

Table 2A - Borrower Distribution of Loans to Businesses in Dallas 2014				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	70.89	4.18	24.93	100
% of Bank Loans in AA by #	50.0	50.0	0.0	100
% of Bank Loans in AA by \$	82.6	17.4	0.0	100

Source: Business Geodemographic Data, all 2 loans originated.

Table 2A - Borrower Distribution of Loans to Businesses in Dallas 2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	71.53	3.65	24.82	100
% of Bank Loans in AA by #	100	0.0	0.0	100
% of Bank Loans in AA by \$	100	0.0	0.0	100

Source: Business Geodemographic Data, all 3 loans originated

*Performance in the Fort Worth AA*

The distribution of loans in the Fort Worth AA reflects poor penetration among borrowers of different income levels before consideration of mitigating factors. The bank was only able to make six home purchase loans and eight home refinance loans during the review period. In addition, BOW did not originate any loans to businesses in the AA. This small volume of loans makes it difficult to perform a meaningful analysis. BOW does not have an office in this AA, and contextual issues include significant competition with other lenders to originate loans during this review period.

The 2013 peer mortgage data indicates there are more than 680 HMDA reporters in the Fort Worth AA. The largest competitors include Wells Fargo Bank, JP Morgan Chase, Bank of America, and Citibank, who together dominated the market with over 35 percent market share. BOW’s market share was less than 0.02 percent. The 2013 peer small business data indicates there are more than 120 lenders in the AA. The largest competitors include American Express, Wells Fargo Bank, JP Morgan Chase, Citigroup, and Bank of America, who together dominated the market with over 59 percent market share.

**Residential Loans**

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Fort Worth 2014</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.31	0.0	17.56	0.0	19.76	50.0	41.37	50.0
Home Refinance	21.31	0.0	17.56	0.0	19.76	50.0	41.37	50.0

*Source: 2010 U.S. Census data; 2014 HMDA totaling 2 purchase loans and 4 refinance loans.*

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Fort Worth 2013</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.28	0.0	17.44	0.0	19.66	0.0	41.62	100
Home Refinance	21.28	0.0	17.44	0.0	19.66	25.0	41.62	75.0

*Source: 2010 U.S. Census data; 2013 HMDA totaling 4 purchase loans and 4 refinance loans.*

**Geographic Distribution of Loans**

Overall, the geographic distribution of home mortgage and business loans reflects reasonable dispersion when considering the bank’s size and performance context and meets the standard for satisfactory performance.

*Performance in the Dallas AA*

Overall, the distribution of home mortgage loans and business loans in the Dallas AA reflects reasonable dispersion throughout census tracts of different income levels given the bank’s size, length of time in the market, and competitive factors.

**Residential Loans**

The geographic distribution of home mortgage loans overall reflects reasonable dispersion throughout census tracts of different income levels, and BOW’s performance meets the standard for satisfactory performance.

The percentage of home purchase loans overall made in LMI geographies is near the percentage of owner-occupied housing units in these geographies. Also, the percentage of home refinance loans overall in low- and moderate-income geographies is near the percentage of owner-occupied housing units in these geographies. We took into consideration that owner-occupied housing in low-income census tracts comprises only 5.3 percent of the total AA and BOW’s branch is located in a middle-income census tract.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Dallas 2014</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.34	0.0	19.26	22.0	29.76	26.0	45.64	52.0
Refinancing	5.34	0.0	19.26	18.75	29.76	25.0	45.64	56.25

*Source: 2010 U.S. Census data; 2014 HMDA totaling 50 purchase loans and 16 refinance loans.*

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Dallas 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.36	1.92	19.23	3.85	30.0	32.69	45.35	61.54
Refinancing	5.36	3.23	19.23	0.0	30.0	41.94	45.35	54.84

*Source: 2010 U.S. Census data; 2013 HMDA totaling 52 purchase loans and 31 refinance loans.*

**Business Loans**

The bank was only able to make five loans to businesses of any size in the Dallas AA during the review period. This small volume of loans makes it difficult to perform a meaningful analysis. However, the geographic distribution of loans to businesses in moderate-income geographies reflects the bank’s willingness to lend in these geographies. As mentioned above, competition for strong borrowers in the AA, along

with limited branch staff and limited time in the market hindered lending efforts in this AA.

Table 3A - Geographic Distribution of Loans to Businesses in Dallas 2014								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	8.18	0.0	17.76	50.0	26.33	0.0	47.52	50.0

Source: Business Geodemographic Data, all 2 loans originated. (Note: 0.22 percent of census tracts are not income-designated tracts.)

Source: Business Geodemographic Data, all 3 loans originated. (Note: 0.21 percent of census tracts are not income-designated tracts.)

Table 3A - Geographic Distribution of Loans to Businesses in Dallas 2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	8.31	0.0	17.80	0.0	26.84	0.0	46.84	100

income-designated tracts.)

### Performance in the Fort Worth AA

The bank was only able to make six home purchase loans and eight home refinance loans in the Fort Worth AA during the review period. In addition, BOW did not originate any loans to businesses in the AA. This small volume of loans makes it difficult to perform a meaningful analysis. However, the percentage of residential loans overall made in moderate-income geographies exceeds the percentage of owner-occupied housing units in these geographies and reflects the bank’s willingness to lend in these geographies. In addition, owner-occupied housing in low-income census tracts comprises only 3.35 percent of the total AA. As mentioned above, contextual issues include the lack of an office in this AA and significant competition with other lenders to originate loans during this review period.

### Residential Loans

Table 3 - Geographic Distribution of Residential Real Estate Loans in Fort Worth 2014								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.35	0.0	19.48	50.0	42.46	0.0	34.72	50.0
Refinancing	3.35	0.0	19.48	0.0	42.46	50.0	34.72	50.0

Source: 2010 U.S. Census data; 2014 HMDA totaling 2 purchase loans and 4 refinance loans.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Fort Worth 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.35	0.0	19.21	25.0	41.16	0.0	36.28	75.0
Refinancing	3.35	0.0	19.21	25.0	41.16	25.0	36.28	50.0

Source: 2010 U.S. Census data; 2013 HMDA totaling 4 purchase loans and 4 refinance loans.

### **Responses to Complaints**

BOW did not receive any complaints about its performance in helping to meet credit needs in the assessment areas in Texas during this evaluation period.