

PUBLIC DISCLOSURE

January 8, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commonwealth Business Bank
Certificate Number: 57873**

**5055 Wilshire Boulevard, Suite 840
Los Angeles, California 90036**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: 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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Commonwealth Business Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 8, 2007**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

Commonwealth Business Bank's CRA performance was evaluated using "Small Bank" examination procedures. This is the first evaluation which was conducted at its headquarters in Los Angeles, California. This evaluation utilized records and reports provided by the institution, demographic information, and information gathered as part of the examination process.

INSTITUTION RATING

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

- A majority of small business loans were extended inside the assessment area.
- The bank's small business lending reflects excellent penetration in different census tract income levels throughout its assessment area.
- There are no conspicuous gaps in the geographic distribution of lending within the bank's assessment area.
- The distribution of small business loans reflects poor dispersion among businesses with gross annual revenues (GAR) of \$1 million and less. Although the penetration among small businesses is poor, the bank's performance reflects its business strategy of lending to middle market businesses.
- The bank's average loan-to-deposit ratio, based on the seven quarters preceding this evaluation, reflects a reasonable response to the credit needs of its assessment area.
- The bank has not received any CRA-related complaints since the inception of the bank.
- No substantive violations of the anti-discriminatory laws and regulations were identified.

SCOPE OF THE EVALUATION

Commonwealth Business Bank's primary business focus is commercial loans targeted to middle-market businesses. Commercial loans comprise approximately 96.6 percent of the bank's loan portfolio as of September 30, 2006. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter. Other loans represent a nominal 3.0 percent of the bank's total loan portfolio. As a result, commercial loans (small business) in amounts \$1 million or less were chosen for analysis at this evaluation.

Small business loans originated from March 25, 2005, to December 31, 2006, were included in this evaluation. During this period, the bank originated 216 small business loans totaling approximately \$82 million. The bank's lending performance is compared to the 2005 percentage of total businesses as reported by Dunn & Bradstreet (D&B) and 2000 U. S. Census data. The census data reflects updated Office of Management and Budget MSA/MD boundaries that became effective January 1, 2004.

DESCRIPTION OF INSTITUTION

Commonwealth Business Bank (CWBB) is a commercial bank which opened on March 9, 2005, and is headquartered in the "Miracle Mile" area of Los Angeles, CA. CWBB is primarily a commercial lender targeting the banking needs of middle market businesses. The bank operates two offices in city of Los Angeles. The main office is located in an upper-income census tract and the downtown Los Angeles office is located in a low-income census tract.

The bank provides its customers with a full range of traditional business and personal banking products, such as, commercial loans, commercial real estate loans, Small Business Administration (SBA) loans, equipment financing, construction loans, term loans, home equity lines of credit and personal loans. In addition, the institution offers a variety of demand and savings deposit products.

The hours of operation and availability of products and services are tailored to the convenience and needs of bank customers. The bank's main office is open Monday through Friday from 9:00 A.M. until 4:00 P.M. The downtown Los Angeles branch is open Monday through Thursday from 9:00 A.M. until 5:00 P.M. and Fridays from 9:30 A.M. until 5:00 P.M., and Saturdays from 9:00A.M. to 1:00 P.M.

CWBB offers 24-hour Internet banking. CWBB customers can access the bank's WebPages at www.cwbbank.com. The service is offered to all account holders who have Internet access. The service gives the customer access to account information 24-hours a day, seven days a week, and provides the opportunity for customers to view checks and deposits made, account information, arrange for automatic monthly transfers, and transfer funds between CWBB accounts.

Based on the September 30, 2006, Report of Income and Condition (Call Report), CWBB's total assets are \$179,818,000, of which total loans represent \$119,083,000. Table 1 shows the composition of the bank's loan portfolio as of September 30, 2006, based upon Call Report information reported.

| <i>Table 1 -Loan Portfolio</i> | | |
|---|---------------------------------|---------------------------------------|
| Loan Type | Dollar Amount (000s) | Percent of Total Loans (%) |
| Construction and Land Development | 300 | 0.3 |
| Secured by Farmland | 0 | 0.0 |
| Closed-end 1-4 Family Residential First Lien | 0 | 0.0 |
| Closed-end 1-4 Family Residential Junior Lien | 0 | 0.0 |
| Multifamily Residential | 845 | 0.7 |
| Nonfarm Non Residential Properties | 78,226 | 65.7 |
| Total Real Estate Secured | 79,371 | 66.7 |
| Loans to Finance Agricultural Production | 0 | 0.0 |
| Commercial and Industrial loans | 36,492 | 30.6 |
| Consumer Credit Cards | 0 | 0 |
| Other Loans | 3,616 | 3.0 |
| Less: Any Unearned Income on Loans | (396) | (0.3) |
| Total Loans and Leases | 119,083 | 100.0 |

Source: 9/30/06 Consolidated Reports of Income and Condition

There are no legal impediments or financial constraints that would preclude the bank from reasonably meeting the credit needs of its AA. Earnings, capital, and liquidity have been sufficient to support the bank's lending activity. The bank's average net loan-to-deposit ratio is 63.7 percent since inception of the bank. Financial data does not reveal any trends that would adversely impact the bank's ability to extend credit in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

CWBB's defined assessment area (AA) consists of Los Angeles and Orange Counties which are wholly contained within the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) 31100. MSA 31100 is comprised of two contiguous Metropolitan Divisions (MD): Los Angeles County (Los Angeles-Long Beach-Glendale MD) and Orange County (Santa Ana-Anaheim-Irvine MD) both the Los Angeles-Long Beach-Glendale Metropolitan Division MD (Los Angeles County) and the Santa Ana-Anaheim-Irvine MD (Orange County). A Metropolitan Division is a county or group of counties within a Core Based Statistical Area that contains a core with a population of at least 2.5 million. A Metropolitan Division consists of one or more main or secondary counties that represent an employment center or centers, plus adjacent counties associated with the main county of counties through commuting ties.

The AA is a highly competitive, densely populated metropolitan area that is very economically diverse. The AA complies with the technical requirements of the regulation and does not arbitrarily exclude low-and moderate-income neighborhoods or individuals.

The table below depicts the bank’s assessment area in its entirety, by type of geographic income level.

| <i>Table 2 - Distribution of Census Tracts within the Assessment Area</i> | | |
|---|--------------------------------|---------------------------------|
| Census Tract Type | Number of Census Tracts | % of Total Census Tracts |
| Low-Income | 200 | 7.6 |
| Moderate-Income | 736 | 28.0 |
| Middle-Income | 766 | 29.1 |
| Upper-Income | 912 | 34.7 |
| No Income Reported | 17 | 0.6 |
| Totals | 2,631 | 100.0 |

Source: 2000 U.S. Census

Demographic Data

The AA area includes 2,631 census tracts, with the following breakdown by income category: low income – 200; moderate income – 736; middle income – 766; upper income – 912; and no income reported – 17. Low- and moderate-income census tracts account for approximately 7.6 percent and 28.0 percent, respectively, of the total number of tracts in the combined AA. The total population of the AA according to the 2000 U.S. Census was 12,365,627. Based on estimates from the Department of Housing and Urban Development, the 2005 and 2006 adjusted median family income (MFI) of MSA-31100 are \$54,450 and \$56,200, respectively. The MFI is used to determine the income level for each census tract for the purpose of evaluating the geographic distribution of the institution’s lending among low,-moderate,-middle, and upper-income census tracts. The AA has approximately 1,015,933 businesses of which 639,508 or 62.9 percent have gross annual revenues less than \$1.0 million. A majority of small businesses located in the AA are in the middle- and upper-income geographies. Lending opportunities are available in all geographies. The table below depicts the number and percentage of small businesses in the AA.

| <i>Table 3- Small Businesses by Geography</i> | | |
|---|-----------------------------------|-------------------|
| <i>Census Tract Type</i> | <i>Number of Small Businesses</i> | <i>% of Total</i> |
| Low-Income | 40,394 | 6.3 |
| Moderate-Income | 145,743 | 22.8 |
| Middle-Income | 184,323 | 28.8 |
| Upper-Income | 265,477 | 41.5 |
| NA Income | 3,571 | 0.6 |
| Totals | 639,508 | 100.0 |

Source: 2006 Dun & Bradstreet

Economic Data

Los Angeles County

Los Angeles maintains a growth rate just below the national average, slowly decelerating over the past nine months. Recent volatility, however, is within the range over the past several years. The housing market is the greatest contributor to Los Angeles's recent slowdown as construction employment is down from a January peak and housing prices peaked in March. The slowdown in the economy in recent months is due to housing and consumer activity. Slower home sales translate into slower retail sales, which are reflected in a downturn in retaining employment since March. Despite, this weakness, the economy maintains good support from the defense/aerospace industry, international trade, and travel.

Los Angeles faces near-term downside risk from housing and consumer spending, but basic industries such as trade, travel, defense, and finance continue to expand. Following near-term volatility, the Los Angeles economy will resume a steady up path. It will remain below average, however, as congestion, high costs, and more recently uncertain power capacity cause investors to look elsewhere.

Orange County

The economy of the Santa Ana-Anaheim-Irvine metro division slowed considerably during the first half of 2006. The slowdown in the national housing industry is magnified in Orange County because of its concentration of the mortgage finance industry. Construction activity has slowed within the metro area.

The near-term outlook for Santa Ana-Anaheim-Irvine faces considerable downside risk until the path of both local and national housing markets clear. But other aspects of the economy, including a healthy tourism industry with a record-high hotel occupancy rate, rising defense spending, stable manufacturing, and expanding business and professional service employment continue to support the economy. The metro division's considerable number of headquarters of international corporate operations will also support the economy; particularly as local direct foreign investments may accelerate if the dollar falls in value versus Asian currencies as expected. Longer term, the economy will be held back by high business and housing costs and increased congestion, but highly skilled labor force, close links to the global economy, and good quality of life factors will maintain a growth rate just below the national average.

Community Contacts

Examiners conducted one community contact and reviewed one recent community contact to evaluate the bank's CRA performance. The community contacts included an economic development agency and an affordable housing organization both of which are located in Los Angeles County. The contacts indicated that there is a continuing need for small medium sized business loans for start-up, and commercial revitalization and affordable small dollar home loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Assessment Area Concentration

A majority of the small business loans were originated within the bank's AA. As illustrated in Table 4 below, the bank originated approximately 75.0 percent by number and 72.9 percent by dollar volume of total small business loans in the AA for the review period. This lending performance represents an adequate responsiveness by the bank in meeting the credit needs of the communities it serves.

| <i>Table 4 – Distribution of Loans Inside and Outside of the Assessment Area</i> | | | | | | | | | | |
|--|-----------------|-------------|-----------|-------------|------------|-------------------------|-------------|---------------|-------------|---------------|
| Loan Category or Type | Number of Loans | | | | | Dollars in Loans (000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Small Business Loans | | | | | | | | | | |
| 2005 | 69 | 75.8 | 22 | 24.2 | 91 | 28,238 | 72.2 | 10,875 | 27.8 | 39,113 |
| 2006 | 93 | 74.4 | 32 | 25.6 | 125 | 31,282 | 73.6 | 11,218 | 26.4 | 42,500 |
| Total | 162 | 75.0 | 54 | 25.0 | 216 | 59,520 | 72.9 | 22,094 | 27.1 | 81,613 |

Source: Bank Records (March 25, 2005-December 31, 2006)

Geographic Distribution of Lending

Overall, CWBB's geographic distribution of small business loans reflects excellent dispersion of loans throughout its AA. The tables on the following page show the number and dollar amount of small business loans originated by the bank in each census tract income category. The bank's performance is compared to 2000 U.S. Census data and business demographic data obtained from D&B.

Tables 5 and 6 on the next page illustrate the bank's lending performance both by number and dollar volume by census tract income level. As shown, the bank's 2005 performance in low-income census tracts of 20.3 percent by number and 19.4 percent by dollar volume materially exceed the percentage of businesses of 6.3 percent and the percentage of low-income census tracts of 7.6 percent. Lending in moderate-income census tracts of 36.2 percent by number and 39.8 percent by dollar volume is also significantly higher than the percentage of businesses of 22.8 percent and the percentage of moderate-income census tracts of 27.9 percent.

In 2006, the bank's lending performance reflects an increase in penetration in low-income census tracts of 29.0 percent by number and 26.0 percent by dollar volume, which again, materially exceeds the percentage of business of 6.3 percent and the percentage of low-income census tracts of 7.6 percent. The bank's lending performance in moderate-income census tracts both by number and dollar volume of 20.0 percent and 29.6 percent reflects a decrease in penetration.

Overall, the bank demonstrates an excellent level of lending to small business located in low-and moderate-income census tracts. There are approximately 160 financial institutions with over 2,000 branches located in the bank's AA competing for small business loans. Competition is the greatest in low-income census tracts with only 6.3 of the total percent of business reported in these areas.

| <i>Table 5 - 2005 Lending Distribution by Census Tract Income Level</i> | | | | | | |
|---|-------------|-----------------------------------|---|-------------|---------------|-------------|
| Census Tract | | Businesses in Assessment Area (%) | Commonwealth Business Bank's 2005 Performance | | | |
| Income Level | % | | # | % | (000s) \$ | % |
| Low | 7.6 | 6.3 | 14 | 20.3 | 5,484 | 19.4 |
| Moderate | 28.0 | 22.8 | 25 | 36.2 | 11,246 | 39.8 |
| Middle | 29.1 | 28.8 | 16 | 23.2 | 5,629 | 19.9 |
| Upper | 34.7 | 41.5 | 14 | 20.3 | 5,879 | 20.9 |
| No Income Reported | 0.6 | 0.6 | 0 | 0 | 0 | 0 |
| Totals | 100.0 | 100.0 | 69 | 100.0 | 28,238 | 100.0 |

Source: Bank Records and 2005 D & B

| <i>Table 6 - 2006 Lending Distribution by Census Tract Income Level</i> | | | | | | |
|---|-------------|-----------------------------------|---|-------------|--------------|-------------|
| Census Tract | | Businesses in Assessment Area (%) | Commonwealth Business Bank's 2006 Performance | | | |
| Income Level | % | | # | % | (000s) \$ | % |
| Low | 7.6 | 6.3 | 27 | 29.0 | 8,127 | 26.0 |
| Moderate | 28.0 | 22.8 | 27 | 20.0 | 9,265 | 29.6 |
| Middle | 29.1 | 28.8 | 22 | 23.7 | 7,920 | 25.3 |
| Upper | 34.7 | 41.5 | 17 | 18.3 | 5,970 | 19.1 |
| No Income Reported | 0.6 | 0.6 | 0 | 0 | 0 | 0 |
| Totals | 100.0 | 100.0 | 93 | 100.0 | 31,282 | 100.0 |

Source: Bank Records and 2005 D & B

Lending to Businesses of Different Revenue Sizes

The distribution of small business loans reflects poor dispersion among businesses with gross annual revenues (GAR) of \$1 million and less. Although the penetration among small businesses is poor, the bank's performance reflects its business strategy of lending to middle market businesses. The following tables depict CWBB's lending performance for small business loans categorized by GAR of the business. The tables also compare the bank's small business lending to D&B business demographic data for the assessment area for the periods reviewed. Small businesses are defined as those having gross annual revenues (GARs) of \$1 million and less.

As shown in the table below, in 2005, the bank's lending performance of 42.0 percent by number and 38.9 percent by dollar volume was below the percentage of businesses of 62.9 percent.

| <i>Table 7 - 2005 Distribution of Small Business Loans by Gross Annual Revenue</i> | | | | | |
|--|-----------------------------------|---|-------------|--------------|-------------|
| Gross Annual Revenue | Businesses in Assessment Area (%) | Commonwealth Business Bank's 2005 Performance | | | |
| | | # | % | (000s) \$ | % |
| \$1,000,000 or Less | 62.9 | 29 | 42.0 | 10,974 | 38.9 |
| Greater than \$1,000,000 | 5.9 | 39 | 56.5 | 17,204 | 60.9 |
| Revenue Not Reported | 31.2 | 1 | 1.5 | 60 | 0.2 |
| Totals | 100.0 | 69 | 100.0 | 28,238 | 100.0 |

Source: Bank Records and 2005 D & B

As shown in the table below, in 2006, CWBB's record of lending to small businesses trended upward to 58.1 percent by number and 50.5 percent by dollar volume however remains below the percentage of businesses of 62.9 percent in the bank's AA.

| <i>Table 8- 2006 Distribution of Small Business by Gross Annual Revenue of Borrowers</i> | | | | | |
|--|-----------------------------------|---|-------------|--------------|-------------|
| Gross Annual Revenue | Businesses in Assessment Area (%) | Commonwealth Business Bank 2006 Performance | | | |
| | | # | % | (000s) \$ | % |
| \$1,000,000 or Less | 62.9 | 54 | 58.1 | 15,813 | 50.5 |
| Greater than \$1,000,000 | 5.9 | 38 | 40.8 | 15,279 | 48.9 |
| Revenue Not Reported | 31.1 | 1 | 1.1 | 190 | 0.6 |
| Totals | 100.0 | 93 | 100.0 | 31,282 | 100.0 |

Source: Bank Records and 2005 D & B

Small business loan originations were also analyzed by loan size. Table 9 below illustrates the distribution of small business loans by loan size. The analysis shows that a majority of the total small business (57.4 percent) were made in amounts of \$250,000 to \$1,000,000 during the review period. Overall, the results reflect the penetration among small businesses is poor, however, the bank's performance reflects its business strategy of lending to middle market businesses.

| <i>Table 9-Distribution of Small Business Loans By Loan Size</i> | | | | | | |
|--|-----------|--------------|-----------|--------------|------------|--------------|
| Loan Size (000s) | 2005 | | 2006 | | Total | |
| | # | % | # | % | # | % |
| <\$100 | 6 | 8.7 | 19 | 20.4 | 25 | 15.4 |
| >\$100 | | | | | | |
| <\$250 | 18 | 26.1 | 26 | 28.0 | 44 | 27.2 |
| >\$250 | | | | | | |
| <\$1,000 | 45 | 65.2 | 48 | 51.6 | 93 | 57.4 |
| Total | 69 | 100.0 | 93 | 100.0 | 162 | 100.0 |

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio shows reasonable responsiveness to the AA credit needs given its business focus, asset size, financial condition, competition and with limited tenure. As shown in Table 10 below, between March 31, 2005, and September 30, 2006, the institution's average LTD ratio was 63.6 percent, as calculated from the quarterly Reports of Income and Condition. The LTD ratio has ranged from a low of 17.7 percent (March 31, 2005) to a high of 84.1 percent (September 30, 2006). This ratio has showed an increasing trend since inception of the institution. No similar Denovo institutions of similar size and products offered were available for comparison.

| <i>Table 10-Quarterly Net Loan-to Deposit Ratios</i> | |
|--|--------------|
| Call Report Date | Ratio (%) |
| 09/30/06 | 84.1% |
| 06/30/06 | 76.4% |
| 03/31/06 | 69.5% |
| 12/31/05 | 72.6% |
| 09/30/05 | 61.7% |
| 06/30/05 | 63.9% |
| 03/31/05 | 17.7% |
| Average Loan Deposit Ratio | 63.7% |

Source: Consolidated Reports of Condition & Income

Response to Complaints

A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the last evaluation period.

Compliance with Anti-discrimination Laws and Regulations

No substantive violations of anti-discriminatory regulations were identified during the examination.