

PUBLIC DISCLOSURE

August 28, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Genesis Bank
Certificate Number: 59245

4675 MacArthur Court
Newport Beach, California 92660

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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San Francisco, California 94105

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

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INSTITUTION RATING

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

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated

- The loan-to-deposit ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs.
- A substantial majority of multi-family loans are in the institution's AA.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- The borrower profile criterion is not applicable to multi-family loans; therefore, this criterion did not affect the overall rating
- The institution has not received any CRA-related complaints; therefore, this criterion did not affect the overall rating.

DESCRIPTION OF INSTITUTION

Genesis Bank (GB) is a newly state-chartered non-member commercial bank headquartered in Newport Beach, California. The institution commenced operations on August 2, 2021. GB is one of only two institutions in the nation to be designated as a diverse, multi-racial minority depository institution. This is GB's first CRA Performance Evaluation.

GB operates one full-service branch in Southern California. The headquarters and main branch is located in Newport Beach in an upper-income census tract. GB is primarily a commercial bank focusing on the financial needs of small- to medium-sized businesses and owners, and investors in income-producing multi-family and commercial real estate. GB offers loan products including income property and owner-occupied commercial real estate, traditional commercial and industrial loans, and the Small Business Administration 504 loan program. The institution provides a variety of deposit products including checking, savings, money market, and certificates of deposit. Additional banking services include treasury management services and solutions, commercial escrow solutions, internet and mobile banking, remote deposit capture, and lock box services. GB does not operate any bank-owned ATMs; however, it is part of the MoneyPass network, which includes access to more than 32,000 surcharge-free ATMs nationwide.

Assets totaled approximately \$185.4 million as of June 30, 2023 and included total loans of \$147.2 million and total deposits of \$95.4 million. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 6/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	0	0.0
Secured by Multifamily (5 or more) Residential Properties	121,425	82.5
Secured by Nonfarm Nonresidential Properties	24,238	16.5
Total Real Estate Loans	145,663	99.0
Commercial and Industrial Loans	1,530	1.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	0	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	147,193	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that limit the institution's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

GB designated one AA consisting of two whole counties in Southern California: Orange and Los Angeles. Orange County is wholly contained within the Anaheim-Santa Ana-Irvine, CA MD #11244 and Los Angeles County is wholly contained within the Los Angeles-Long Beach-Glendale MD #31084. These two MDs compose the Los Angeles-Long Beach-Anaheim, CA MSA.

The delineated AA complies with the technical requirements of the CRA regulations and do not arbitrarily exclude any low- and moderate-income areas.

Economic and Demographic Data

The following economic data was obtained from the May 2023 Moody's Analytics Report.

Orange County

Orange County's economy is slowing, but job growth remains strong. The leisure/hospitality and healthcare industries have contributed the most to the job gains and tech layoffs have been less damaging than in the Bay Area. Increases in home prices have paused after a steep decrease last year. Strengths of the area include a highly trained, well-educated labor force; research and development industry support strong demand for office space; and the coastline and climate attract residents and visitors. Weaknesses of the area include decreasing population; abundance of low-wage jobs; and sensitivity to business cycle fluctuations, specifically the capital-raising climate. The top major employers in the area include Disney Resorts, University of California Irvine, Saint Joseph Health, Kaiser Permanente, and Target Brands Inc.

Los Angeles County

Los Angeles County's economy is slowing down, but it is resilient compared with other large California economies. The leisure/hospitality and healthcare industries are contributing the most to job gains. Similar to Orange County, the tech layoffs have not been as bad as in the Bay Area. The jobless rate is steadily increasing, partly due to the recent tech layoffs and because of an upward pressure from modest labor force gains. According to Equifax, the area is losing fewer residents on net than in the past two years, but the trend is still worse than pre-pandemic. Strengths of the area include a strong healthcare base and a growing tech presence providing well-paying jobs; global links through entertainment, tourism, and fashion; and deep San Pedro Harbor enabling the area to handle megaships that other ports cannot. Weaknesses of the area include high costs hindering net migrations gains and being prone to disasters, including drought, wildfires, and earthquakes. The top major employees in the area include Cedars-Sinai Medical Center, Los Angeles International Airport, University of California Los Angeles, VXI Global Solutions, and The Walt Disney Company.

Based on the 2020 U.S. Census data, the AA consists of 3,112 census tracts of which 178 are low-, 856 are moderate-, 926 are middle-, 1,071 are upper-income, and 81 do not have an income designation. The following table illustrates demographic information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: Orange-Los Angeles						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3,112	5.7	27.5	29.8	34.4	2.6
Population by Geography	13,200,998	5.2	28.3	30.9	34.4	1.1
Housing Units by Geography	4,661,034	4.8	25.4	29.8	38.7	1.3
Owner-Occupied Units by Geography	2,129,700	1.4	17.1	31.6	49.6	0.3
Occupied Rental Units by Geography	2,242,805	8.2	33.8	28.7	27.3	2.0
Vacant Units by Geography	288,529	4.4	21.4	25.3	46.4	2.4
Businesses by Geography	1,796,581	3.4	18.6	27.3	48.1	2.6
Farms by Geography	17,110	2.5	17.9	29.1	49.0	1.5
Family Distribution by Income Level	2,953,482	23.7	16.5	17.9	41.9	0.0
Household Distribution by Income Level	4,372,505	25.6	15.2	16.7	42.5	0.0
Median Family Income MSA - 11244 Anaheim-Santa Ana-Irvine, CA		\$106,451	Median Housing Value			\$696,400
Median Family Income MSA - 31084 Los Angeles-Long Beach-Glendale, CA		\$80,317	Median Gross Rent			\$1,676
			Families Below Poverty Level			9.6%
Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The AA contains 4,661,034 housing units of which approximately 45.7 percent are owner occupied, 48.1 percent are renter occupied, and 6.2 percent are vacant. According to 2022 D&B data, the services industry represents the largest portion of businesses at 33.7 percent, followed by non-classifiable establishments at 26.6 percent and finance, insurance, and real estate at 10.7 percent. In addition, 60.1 percent of area businesses have 4 or fewer employees with 94.4 percent operating from a single location.

Competition

The AA is highly competitive in the market for financial services. According to the FDIC Deposit Market Share Report as of June 30, 2022, there were 109 financial institutions that operated 2,144 branch offices within the Orange-Los Angeles AA. Of these institutions, GB ranked 101st with less than a 0.1 percent deposit market share. The top 3 financial institutions account for 47.5 percent of the total deposit market share: Bank of America, National Association at 17.3 percent; JPMorgan Chase Bank, National Association at 16.5 percent; Wells Fargo Bank, National Association at 13.7 percent.

Community Contact

Examiners reviewed an existing contact with a non-profit small business development corporation. The contact noted that the cost of living remains high, especially housing expenses for both owning and renting. As a result, many businesses struggle to obtain workers who can afford to live in the area. The contact also noted that many of their clients cannot operate at full hours because of a lack of workers, high cost of goods, and struggles with past due lease payments. The contact indicated that primary credit needs include fixed, low-rate loans with longer terms for local small businesses.

Credit Needs

Based on information from the community contact, credit needs of the area include flexible loans for small businesses and affordable housing as a means to retain workers.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the bank's establishment date of August 2, 2021 to the current evaluation date of August 28, 2023. This is GB's first CRA Performance Evaluation. Examiners used the Interagency Small Institution Examination Procedures to evaluate GB's CRA performance. Examiners relied on records provided by the institution, public financial and loan information, demographic data, and a community contact. Examiners used full-scope examination procedures for the Orange-Los Angeles AA since it is the only designated AA.

Activities Reviewed

Examiners determined that the bank's major product line is multi-family loans. Examiners considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small business loans or small farm loans, represent a major product line. GB's small business loan origination during the evaluation period is too nominal to form meaningful conclusions. The bank originated one small business loan in 2021, nine in 2022, and one during the first half of 2023. GB does not offer small farm loans. Therefore, these loan products provided no material support for conclusions or ratings and were not analyzed and presented.

Examiners considered the entire universe of multi-family loans originated from January 1, 2022 through December 31, 2022. During 2022, GB originated 59 multi-family loans totaling \$89.6 million. Examiners confirmed with management that 2022 is representative of the evaluation period. Therefore, this evaluation does not include data for partial year 2023.

Examiners reviewed the number and dollar volume of multi-family loans for the Lending Test. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of borrowers served. The 2022 lending performance is compared to 2020 U.S. Census data.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

GB's Lending Test performance is outstanding. More than reasonable loan-to-deposit ratio and excellent geographic distribution primarily support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs. The ratio averaged 126.2 percent over the past 8 quarters from September 30, 2021 to June 30, 2023. The ratio ranged from a low of 117.5 percent as of December 31, 2021 to a high of 173.8 percent as of September 30, 2022. The ratio remained well above 100.0 percent during the evaluation period largely due to high loan demand and funding loans at a faster pace than deposits. GB's ratio was higher than three similarly-situated institutions. Examiners selected these institutions based on their asset size, geographic location, and lending focus. The following table shows GB's loan-to-deposit ratio compared to the similarly-situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2023 (\$000s)	Average Net LTD Ratio (%)
Genesis Bank	185,368	126.2
Eastern International Bank	118,463	88.9
Infinity Bank	310,499	54.8
Partners Bank of California	464,706	102.5
<i>Source: Reports of Condition and Income 9/30/2021 – 6/30/2023</i>		

Assessment Area Concentration

A substantial majority of multi-family loans are in the institution's AA. GB originated all of its 2022 loans within the Orange-Los Angeles AA as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	59	100.0	0	0.0	59	89,551	100.0	0	0.0	89,551
Total	59	100.0	0	0.0	59	89,551	100.0	0	0.0	89,551
Source: Bank Data Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AA. Lending performance in both low- and moderate-income tracts exceeded the percentage of multi-family housing units. The following table shows the geographic distribution of multi-family loans in the AA by year and tract income level.

Geographic Distribution of Multi-family Loans					
Assessment Area: Orange-Los Angeles					
Tract Income Level	% of Multi-Family Housing Units	#	%	\$(000s)	%
Low					
2022	8.8	12	20.3	18,702	20.9
Moderate					
2022	30.7	29	49.2	41,161	46.0
Middle					
2022	27.1	10	16.9	16,729	18.7
Upper					
2022	30.5	8	13.6	12,959	14.5
Not Available					
2022	2.9	0	0.0	0	0.0
Totals					
2022	100.0	59	100.0	89,551	100.0
<i>Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

This criterion does not apply since GB does not originate consumer home mortgage loans. GB originates multi-family loans where the borrower is typically a business entity with no income considered. Therefore, this criterion did not affect the overall rating.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the overall rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.